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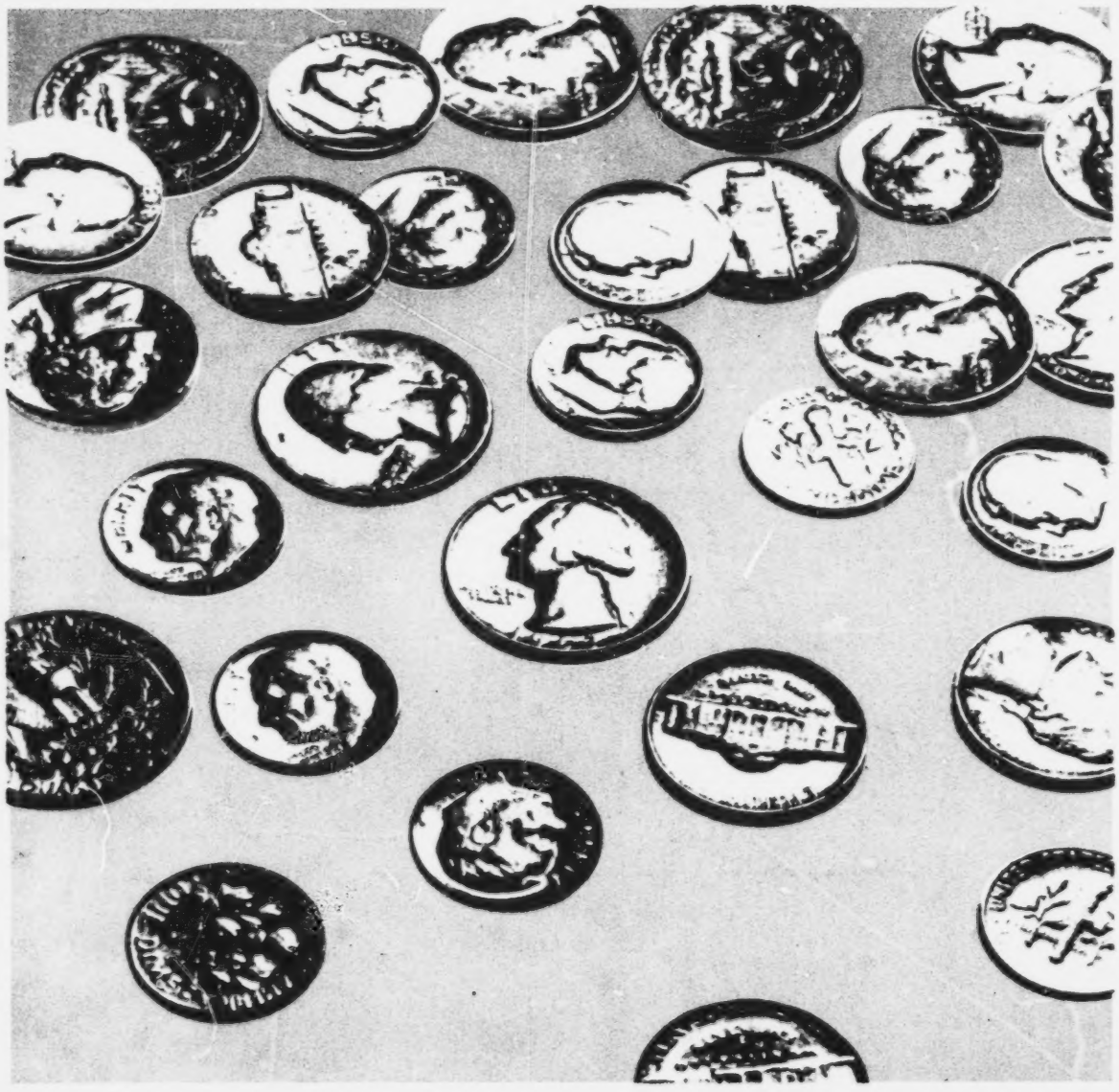
MONEY AND EDUCATION

A GUIDE TO TEXAS SCHOOL FINANCE



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MONEY AND EDUCATION

A GUIDE TO TEXAS SCHOOL FINANCE

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FOREWORD

This publication is the result of a National Institute of Education grant to the American Federation of Teachers.

A "Guide to Texas School Finance" is one of a series of handbooks prepared for use at workshops designed to assist teachers, administrators, legislators and other interested parties in understanding and dealing with the intricacies of school finance equalization plans in their states. In the past, these issues have been debated in relative isolation by a handful of experts.

States were selected for analysis either because they are currently undergoing significant changes in their education finance systems or because current within state disparities suggest that the development of new finance legislation is a topic of growing concern. Workshops have been conducted in California, Connecticut, Florida, Illinois, Michigan, Missouri, Ohio, New York, Pennsylvania, Rhode Island and Texas.

It is our hope that through the dissemination of these handbooks, to a wider audience, people representing diverse points of view will be able to effectively take part in the debates and decisions affecting the financing of our nation's schools.

Lauren Weisberg
Project Officer

Educational Finance
Program

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ACKNOWLEDGMENTS

The AFT Project on Teachers and School Finance Reform is the product of the foresight of AFT leadership, and a grant from the National Institute of Education, Department of Education. Recent events--court challenges to school finance plans, declining enrollments, rising education costs spurred by inflation and increased mandatory programming, and shrinking revenues resulting from tax limitation initiatives--have made school finance a critical educational issue affecting every teacher, every parent and every child in the nation's public schools. Each year, state and local governments spend billions of dollars on education. Yet, the decisions regarding how educational revenues are to be raised and more importantly how revenues are to be distributed among schools have been left to the few legislators, administrators, and policymakers who understand the complexities of school finance.

The American Federation of Teachers has long been a leader at the national, state and local levels in the struggle for more money for our public schools. The AFT recognizes that to be successful in maintaining quality public education requires the informed participation of teachers, administrators, parents and the general public in key policy decision-making.

The manual on Texas School Finance represents one of many initiatives by the American Federation of Teachers to provide its members and other public interest leaders with the basic knowledge and skills to deal effectively with the issues surrounding the financing of our public schools. The authors hope you will use this manual as a guide to understanding the Texas school finance plan and as a resource for exploring future policy issues in Texas school finance.

The authors gratefully acknowledge the invaluable assistance of Helen Nemorin of the AFT Economic Research staff for typing the manuscript and preparing it for publication and the imaginative talents of Charles Glendinning for the cover design.

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CHAPTER I

INTRODUCTION

School finance is the most basic educational issue, for without financing our system of public education cannot survive. Under the federal system, the responsibility of providing for elementary and education is reserved for the states. Traditionally, most states have delegated the largest part of this responsibility to local government units, also with the largest share of financial responsibility for public schools. Since the nineteenth century, local property taxes have served as the major source of revenue for public education. Unequal abilities to support public services and different ideas on what constitutes appropriate local tax effort and spending levels have created wide disparities in educational expenditures per pupil among local school districts in almost all states. It is the existence of these wide disparities in educational expenditures which has been a major factor behind the recent school finance reform movement.

The school finance reform movement marked its beginning with the landmark case of Serrano vs. Priest in California in the early 1970's. The California Supreme Court ruled that the state's public school finance system "with its substantial dependence on local property taxes and resultant wide disparities in school revenue"[1] was in violation of the equal protection clause of both the California state constitution and the Fourteenth Amendment of the U.S. Constitution. Central to the Court's decision was its finding that equal educational opportunity was being denied the young people of California because under the state's school finance plan the quality of a child's education, as evidenced by per pupil expenditures, was directly dependent upon the wealth of the child's parents and neighbors. Furthermore, the state's distribution of aid to districts on a uniform per pupil basis, regardless of district wealth only exacerbated the existing disparities in school district educational offerings. The court also found that taxpayers in poor districts could not "freely choose to tax (themselves) into an excellence" which their tax rolls could not provide.[2] In its ruling, the court raised two fundamental issues: educational expenditure equity and tax burden equity. However, the

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[1] Serrano vs. Priest, 96 Col. Rptr. 601, 487 p. 2d 1241 (1971)

[2] Serrano vs. Priest.

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concern of the court lay with achieving greater equity among school districts in spending for education.

Shortly after the original Serrano case (1971), a federal District Court in Texas found the Texas system of school finance to be unconstitutional under the Fourteenth Amendment. On appeal, the Rodriguez vs. San Antonio case was heard by the U.S. Supreme Court. In 1973, the Supreme Court reversed the lower court's decision, finding that 1) education was not a fundamental interest afforded protection under the Federal Constitution (Fourteenth Amendment) and 2) there was no suspect classification of poor against whom discrimination had been practiced. The court maintained that the Texas school finance plan was structured so as to preserve local autonomy over education and not to promote

decision, many reformers felt that the weight of such an opinion from the U.S. Supreme Court would negatively influence state courts. Fortunately, the Serrano case remained unaffected by the U.S. Supreme Court's decision since it also was based on an interpretation of the state constitution's equal protection clause. Despite the Rodriguez decision, litigation based on state constitutional grounds did continue in various states.

Within a matter of weeks after the Rodriguez decision, the New Jersey Supreme Court ruled in Robinson vs. Cahill[4] that New Jersey's plan for public school financing violated that state's constitution because the plan failed to provide for a "thorough and efficient system of free public schools." The court stated that the obligation to provide for a "thorough and efficient system" of education was clearly the state's, and that regardless of the reason, "if the local government cannot carry the burden, the state must itself meet the continuing obligation." It is interesting to note in this case that the

John Jennings, "School Finance Reform: The Challenge Facing Connecticut," Journal of Education Finance, Vol. 3, No. 4, p. 397.

[4]Robinson vs. Cahill, 62NJ 473, 303 A. 2d 273 (1973).

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New Jersey Supreme Court clearly accepted educational expenditure levels as a measure of the quality of educational opportunity being provided in school districts.

The Horton vs. Meskill case followed in 1977. The Connecticut school finance plan was ruled unconstitutional by the Connecticut Supreme Court on grounds that it violated both an education rights clause and the equal protection clause of the state constitution. The court maintained that since it was the state's constitutional responsibility to "provide a substantially equal educational opportunity" for its youth, a system of school finance which relied primarily on local funding and yet provided no significant state equalization aid was unconstitutional. The court further found that since public

school finance plan was constitutional, overturning the decision of two lower courts which ruled in 1977 and in 1978 that Ohio's equal yield formula was unconstitutional. The lower courts held that Ohio's school finance plan, which distributed state aid according to local tax effort, violated the state's "thorough and efficient" education clause since local effort, or the inclination of taxpayers to support property tax initiatives, was not necessarily a reflection of voter preference for education but rather an indicator of the socioeconomic class or wealth of the district. Furthermore, the differences in district expenditures per pupil and resultant variations in educational quality attributed to the school finance plan, violated the state constitution's equal protection clause.

In its findings, the Ohio Supreme Court said the state's plan was constitutional because local control of education "provides a rational basis for supporting the disparity in per pupil expenditures." Additionally, the present

starved for funds to [illegible] "The fact that a better financing system could be devised which would be more efficient or

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more thorough is not material," the court said. The case is now being appealed by the plaintiffs to the U.S. Supreme Court.

In the 1978 New York case, Levittown vs. Nyquist, the New York school finance plan was declared unconstitutional. In its findings, the court adopted the concepts of "municipal overburden" and "educational overburden." In recognizing the role of municipal overburden, the court required that the greater burden placed on city taxes to provide revenues for widespread social services must be taken into account in apportioning state funds for public education. Similarly, the court recognized that certain school districts, particularly large urban districts, are overly burdened with high educational need children such as handicapped, disadvantaged, and limited English speaking

[illegible]

[illegible] have been presented here as a brief overview of the judicial history of the reform movement. While the turmoil of school finance reform may not reach directly into the classroom the impact of the movement will have an effect on the funds available for the education of each and every child. For this reason it is imperative that teachers, other school professionals, and those concerned about public education become knowledgeable about school finance issues and actively engage in policy debates.

The purpose of this manual is to provide an overview of the way public elementary and secondary schools are financed in Texas, place school finance in the context of government finances, and explore some of the school finance policy issues and options. Chapter II of this manual looks at state and local government fiscal structures in Texas with emphasis on fiscal performance and effort. This chapter is offered as background information for the larger discussion of school finance strategies, for without an understanding of local and state financial capacities, practical and well intentioned reform measures cannot be implemented. Chapter III explains the current Texas state school

[illegible]

[illegible] cannot be considered. Chapter IV explains the current Texas state school

[illegible]

Jay Moskowitz and Joel Sherman, "School Finance Litigation: The Use of Data Analaysis," Journal of Education Finance, 1979. Vol. 4, No. 4, p. 322.

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with emphasis on how state aid to school districts is distributed.
financing pl r IV provides an introduction to the issues surrounding school
Lastly, Chap by examining statewide disparities in school district educational
finance refo wealth, and tax rates. Some commentary is offered on the effects
expenditures rities and their relationship to state financing formulas.
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CHAPTER II

FISCAL STRUCTURE OF TEXAS STATE AND LOCAL GOVERNMENT

Social and Economic Features of Texas

Texas is a major agricultural, manufacturing, and mineral producing state in the Southwestern United States with an estimated 1977 population of 12,830,000, making it the third largest state in the nation. In 1970, Texas was approximately 80 percent urban. Between 1970 and 1976, Texas gained over 1.6 million in population, with over 540,000 of the gain by in-migration.

The urban nature of the state's population is demonstrated by the fact that approximately 60 percent of the people of Texas live in the 9 largest metropolitan areas:

1.	Dallas-Ft. Worth	2,527,200
2.	Houston	2,286,200
3.	San Antonio	981,600
4.	El Paso	424,500
5.	Austin	396,900
6.	Beaumont-Port Arthur-Orange	350,000
7.	Corpus Christi	298,800
8.	McAllen-Pharr-Edinburg	227,900
9.	Killeen-Temple	201,400

Over 45 percent of Texas' population live in the three largest metropolitan areas of Dallas-Ft. Worth, Houston, and San Antonio.

Texas has a diversified economy based on the following major economic activities:

1. Finance, insurance, and real estate
2. Agriculture, especially cattle, sorghum grain, cotton lint, and dairy products
3. Transportation equipment, notably aircraft
4. Food and kindred products, notably meat products
5. Oil and gas extraction, notably oil and gas field services
6. Boy's furnishings
7. Machinery, especially construction and related machinery.

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Table 1

Levels of Government and Direct General Expenditures

Texas

Unit	Government Units 1972	Direct General Expenditures, 1976-77 (millions of dollars)	
		Amount	Percent
All government units	3,625	$12,873.1	100.0
States	1	5,133.2	39.9
Counties	254	1,029.4	8.0
Municipalities	981	2,106.0	16.4
Independent school districts	1,174	4,067.9	31.6
Special districts	1,215	536.6	4.2

SOURCE: AFT Department of Research calculations from U.S. Bureau of the Census, Census of Governments, 1972, and Governmental Finances in 1976-77, (Series GF77, No. 5).

In 1976 personal income per capita for Texas was $6,243, or 97 percent of the U.S. average of $6,441, ranking Texas 25th of the 50 states and the District of Columbia. In constant dollars, between 1970 and 1976 personal income in Texas grew by 34.2 percent, well above the national average of 19.2 percent.

In 1972, in addition to the state government, there were 3,624 governmental units in Texas. These included 245 counties, 981 municipalities, 1174 independent school districts, and 1215 special districts. Table 1 shows these governmental units and their fiscal year 1977 direct general expenditures. As measured by the size of the direct general expenditures, the most important types of governments were the state (39.9 percent of all state and local direct general expenditures), school districts (31.6 percent), and municipalities (16.4 percent). Together they account for close to 90 percent of all direct general expenditures in the state. Note that all state and local governmental expenditures in fiscal year 1977 came to $12.9 billion in Texas.

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State and Local Revenue

In fiscal year 1977 (FY 1977), the state of Texas received just over $8 billion in general revenues (see Table 2). The largest single source of revenue was federal aid ($2 billion), followed by general sales tax revenue ($1.7 billion), selective sales tax revenue ($1.5 billion), and charges and miscellaneous revenues ($1.3 billion). These four sources provide 80 percent of the state's revenues. Sales taxes, both general and selective, accounted for 39.4 percent of all state revenues and 67 percent of state tax revenue. The state general sales tax has been set at 4 percent since 1972. The tax has been made less regressive through exemptions both of food for off permises consumption and of prescription medicines. The most important selective sales taxes are those on gasoline and motor fuels, motor vehicle sales and use, and cigarettes and tobacco products. The severance taxes on oil, natural gas, sulphur, and cement provide another 11.2 percent of state revenues.

Table 2
General Revenue
Texas State and Local Governments
Fiscal Year 1977
(dollar figures in millions)

	State of Texas		Texas Local Governments	
	Amount	Percent	Amount	Percent
Total General Revenue	$8,090.2	100.0	$7,739.8	100.0
Federal Revenues	2,066.0	25.5	660.3	8.5
State Revenues	--	--	2,142.3	27.7
Local Revenues	16.5	0.2	--	--
Total Taxes	4,750.1	58.7	3,428.2	44.3
Property Taxes	42.8	0.5	2,942.2	38.0
General Sales Taxes	1,695.8	21.0	301.2	3.9
Selective Sales Taxes	1,485.2	18.4		
License Taxes	552.4	6.8		
Death and Gift Taxes	66.6	0.8		
All Other Taxes	907.3	11.2	184.8	2.4
Charges and Miscellaneous Revenues	1,257.6	15.5	1,509.0	19.5

SOURCE: AFT Department of Research calculations from U.S. Bureau of the Census, State Government Finances in 1977, (Series GF77, No. 3) and Governmental Finances in 1976-77, (Series GF77, No. 5).

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Local governments in Texas depend heavily for revenue on the property tax ($2.9 billion), state aid ($2.1 billion), and charges and miscellaneous revenues ($1.5 billion), which together provide 85 percent of all local government revenues. A 1 percent general sales tax levied by 854 Texas municipalities produced slightly over $300 million in revenue in fiscal year 1977. Direct federal aid provided $660 million to local governments in the same year.

State and Local Expenditures

A summary of direct general expenditures for state and local governments in Texas is presented in Table 3.

The state of Texas spends over $5 billion annually in direct general expenditures and also provides over $2 billion a year in aid to local governments, almost all of which goes for education. The largest single expenditure categories for the state government are higher education ($1.5 billion), public welfare ($1.2 billion), highways ($0.7 billion), and health and hospitals ($0.7 billion). Together these four functions make up 79 percent of all direct general expenditures of the state.

By far the largest single expenditure category for Texas local governments is local schools, which account for $3.7 billion, or 47.5 percent of all local government expenditures. Other large expenditure categories are health and hospitals ($584 million), sewerage and sanitation ($475 million), highways ($443 million), interest on general debt ($385 million), police protection ($369 million), and general government ($327 million).

By combining the expenditures of the state and local governments in Texas, education constitutes 43.5 percent of all state and local government spending in the state. In comparing educational expenditures to total revenues, of every $1 of revenue raised from all sources by Texas state and local governments, 27 cents goes to local schools and 13 cents goes to higher education.

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Table 3
Direct General Expenditures
Texas State and Local Governments
Fiscal Year 1977
(dollar figures in millions)

	State of Texas		Texas Local Governments	
	Amount	Percent	Amount	Percent
Total Direct General Expenditures	$5,133.2	100.0	$7,739.9	100.0
Total Education	1,671.8	32.6	3,923.3	50.7
Local Schools	13.7	0.3	3,677.6	47.5
Higher Education	1,501.9	29.3	244.6	3.2
Other Education	156.2	3.0	1.1	--
Highways	693.6	13.5	443.0	5.7
Public Welfare	1,173.6	22.9	26.5	0.3
Health and Hospitals	687.0	13.4	584.3	7.5
Police Protection	79.9	1.6	369.1	4.8
Fire Protection	--	--	197.5	2.6
Sewerage and Sanitation	--	--	474.7	6.1
Local Parks and Recreation	--	--	162.1	2.0
General Government	133.8	2.6	327.1	4.2
Interest on General Debt	113.3	2.2	385.3	5.0
All Other Expenditures	580.1	11.3	846.9	10.9

SOURCE: AFT Department of Research calculations from U.S. Bureau of the Census, Governmental Finances in 1976-77, (Series GF77, No. 5).

Fiscal Performance and Tax Effort

The amount of revenue raised by governments is often not meaningful in itself, but can take on meaning when compared to similar data from other states or when compared to some measure of revenue raising capacity.

Various indicators of fiscal performance and tax effort are presented in Table 4. On all indicators Texas ranks well below the national average (see column 3, Table 4). Texas state and local taxes per capita in 1976-77 were $637, or 78 percent of the U.S. average of $813. Texas property taxes per capita were also below the national average ($233 vs. $289). Property taxes per capita in Texas, however, have been increasing faster than the national average. In fact, property taxes per capita in Texas increased 59 percent from 1972 to 1977, compared to an average increase of 43 percent in the nation as a whole.

Since the capacity of a state varies because of differing income levels, another way of measuring effort is to look at revenues raised as a percent of

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personal income. Lines 4 and 5 of Table 4 show Texas state and local taxes and Texas property taxes as a percentage of the state's personal income. For total state and local taxes, Texas' effort is 17 percent below the national average, and property tax effort is 15 percent below the national average.

Line 6 of the table shows an estimate of the average amount of taxes paid by Texas families by income class and compared to the U.S. average. In the lowest two income classes, where families earned less than $20,000, Texas residents have a tax burden about 56 or 57 percent of that of the average U.S. family. Above the $20,000 level, taxes paid by Texas families rapidly descend from about 50 percent of the national average to 36 percent in the highest income class. Two conclusions can be drawn from this information. The first is that Texans have a very low tax burden as compared to the national average and, therefore, Texas is not making a very great tax effort. The second is that the tax structure of Texas is fairly regressive placing a disproportionate tax burden on lower and middle income families. Data compiled by the Advisory Commission on Intergovernmental Relations (ACIR) confirms the fact that Texas has a regressive tax system.

A more sophisticated and meaningful way to analyze tax effort is the representative tax system approach. This approach, the product of the now classic 1962 ACIR study, Measures of State and Local Fiscal Capacity, by Selma Muskin and Alica Rivlin, relates state and local fiscal capacity to average tax rates. The resulting tax effort measure indicates whether a state overuses or underuses various tax sources.

The representative tax system approach determines tax capacity as the amount of tax revenue a state could raise through state and local taxes if it taxed at a rate identical to the average tax rate assessed in the nation. In effect, the system is called representative in that a uniform and national average tax system is applied to the tax bases of each state.

Under the representative tax system, a state's tax effort is a comparison of the amount of revenue raised by particular taxes or all taxes together and the amount that could be raised under the average national tax rate.

The tax rates under the representative system are average tax rates and not necessarily ideal tax rates. However, they do provide a meaningful way to compare state-local tax systems for the various states, and to analyze state and local tax structures.

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Table 4
Indicators of Fiscal Effort
Texas State and Local Governments

	Texas	U.S. Average	Effort Index*
1. State and Local Taxes Per Capita, FY 1977	$ 637	$ 813	78
2. Property Taxes Per Capita, FY 1977	233	289	81
3. Increase in Property Taxes Per Capita, FY 1972 to FY 1977	59%	43%	--
4. State and Local Taxes as Percentage of Personal Income, FY 1977	10.6%	12.8%	83
5. Property Taxes as Percentage of Personal Income, FY 1977	3.9%	4.6%	85
6. Average State and Local Taxes by Income Class			
$10,000 - 14,999	$ 646	$1,131	57
15,000 - 19,999	839	1,503	56
20,000 - 24,999	916	1,869	49
25,000 - 34,999	1,213	2,409	50
35,000 - 49,999	1,414	3,368	42
50,000 - 99,999	1,944	5,384	36

*Effort Index = $\frac{\text{Texas}}{\text{U.S.}}$ x 100

SOURCE: Parts 1-5: AFT Department of Research calculations from U.S. Bureau of the Census data.

Part 6: Money magazine, February 1979, compiled from Internal Revenue Service data.

Table 5 shows measures of Texas tax effort under the representative tax system approach. An index of effort (column 3) of less than 100 indicates underutilization of the tax and an effort over 100 indicates overutilization. In the event of underutilization, the difference between the "potential amount" and the "collected amount" shows the amount lost in 1975 because of low tax effort.

Note that Texas overutilizes most selective sales taxes and licenses, but underutilizes most other taxes. In 1975, the state of Texas lost almost $2 billion in potential revenue because the state has no individual or corporation income taxes. Also, almost $375 million in property taxes went unrealized because

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commercial and industrial property and property owned by public utilities were taxed at lower than the national average tax rates. It is also significant to note that public utility excises are seriously underutilized.

At the same time that the people of Texas look at school finance reform, they also need to consider tax reform. Through individual and corporate income taxes, for instance, the Texas tax structure could be made far less regressive, large amounts of revenue could be raised, the property tax could be stabilized, and the financing of public schools and other public services could be placed on a firmer foundation.

Table 5
Tax Effort Under a Representative Tax System
Texas State and Local Governments
1975
(dollar amounts in millions)

Tax	Potential Amount	Amount Collected	Index of Effort
All Taxes	$8,867	$6,026	68
General Sales Tax	1,733	1,501	87
Selective Sales Taxes	1,177	1,015	86
Motor Fuels	616	395	64
Alcoholic Beverage	84	119	143
Tobacco Products	171	260	152
Insurance	96	97	101
Public Utilities	206	138	67
Parimutual	0	0	0
Amusement	4	5	143
Individual Income Tax	1,273	0	0
Corporation Net Income Tax	707	0	0
Licenses	333	452	136
Motor Vehicle	249	248	100
Motor Vehicle Operation	16	18	111
Corporations	47	167	351
Alcoholic Beverages	4	7	169
Hunting and Fishing	17	13	75
Property Taxes	3,118	2,343	75
Residential	1,119	838	75
Commercial and Industrial	1,324	1,026	77
Farm	280	155	55
Public Utilities	399	324	82
Death and Gift Taxes	74	48	65
Severance Taxes	452	667	147

SOURCE: D. Kent Halstead, Tax Wealth in Fifty States, National Institute of Education, 1978.

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CHAPTER III

STATE SUPPORT FOR PUBLIC ELEMENTARY & SECONDARY EDUCATION IN TEXAS

Public Education in Texas

In Texas there are 1,107 school districts operating 5,545 public schools (3,386 elementary schools and 2,159 secondary schools). In 1977-78, nearly 3 million students were enrolled in these schools. Over the past six years enrollments in Texas have increased slightly, with increases averaging one percent each year since 1971.

Texas school districts represent a wide range of sizes, property wealth and character. The largest school districts include the major urban centers--Houston, Dallas, San Antonio, El Paso and Corpus Christi. Houston is the largest district in the state educating over 179,000 students. In contrast, the smallest districts--Carta Valley, Loving, McFadden--are responsible for educating a mere handful of students. The property wealth among school districts varies extremely from $12,238 per ADA[6] to $9,221,669 per ADA. Some districts are highly urbanized while others are totally rural.

Current operating expenditures[7] for elementary and secondary education have increased from approximately $1.4 billion in 1970 to $3.6 billion in 1978 (Table 6). In terms of constant purchasing power, the total expenditure per pupil has risen over the same period from $997.92 to $1,384.00, an increase of 27.9 percent.

The differences among districts in size, property wealth, and character account for different educational needs and varying abilities to pay for educational services. A state's school finance plan is intended to overcome these differences, assuring each student a minimum adequate education regardless of the wealth of the district in which he or she may reside. The subject of this chapter is how Texas' school finance plan addresses the problem of fiscal and educational equalization among school districts.

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[6] ADA refers to student in average daily attendance.

[7] Excludes federal revenues, and local revenue for debt service.

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Table 6
Texas Public Elementary and Secondary School
Operational Expenditures
1969-70 to 1977-78

	Total Expenditures (in millions)	Total Expenditures Per Pupil	
		Actual Dollars	1978 Purchasing Power
1969-1970	$1,391	$ 572	$ 998
1973-1974	2,023	805	1,041
1975-1976	2,852	1,119	1,303
1977-1978	3,582	1,384	1,384

State Support for Public Education

The first public support for education in Texas came during a time period when education was considered by many to be a private enterprise. The Education Act of 1839, adopted while Texas was still a republic, set aside land grants in each county for the support of public "academies."

The next major development in public support came in 1853 when Elisha M. Pease campaigned for governor on a platform which included an education plank. His election resulted in the School Law of 1854 which created a permanent endowment fund for public education from a $2 million surplus realized by the state during the Compromise of 1850. Revenues from the fund were designated for annual distribution to public schools on a per capita basis. Interestingly, parents sending their children to private schools could also claim their child's per capita apportionment. In effect this was an early "voucher system" of state school finance.

The Texas Constitution of 1876 established the basic framework of school funding for the next 70 years. The permanent endowment fund, known today as the Permanent School Fund, was enlarged through the addition of revenues from certain state taxes and a large apportionment of public lands. Revenues from investment of the Permanent School Fund yielded the Available School Fund, distributed annually on a per capita basis. This was the sole source of state

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aid to public schools from 1876 to 1915. The first Available School Funds distributed during 1876-77 amounted to $3.59 per ADA, contrasted with $220.45 per ADA in 1976-77.

In 1915, the state began a program of rural school equalization aid. The program was designed to "equalize" the growing disparities between rural and urban educational expenditures, resulting in part from previous legislation which allowed urban areas to levy a higher property tax rate than rural areas.

A major overhaul of the Texas school finance plan was effected in 1949 when the legislature enacted into law the proposals of the Gilmer-Aiken Committee, established in 1947 for the purpose of designing a new finance plan. The new plan called for a Minimum Foundation Program, supported through local contributions and state aid. The Program, renamed the Foundation School Program, is the core of the Texas school finance plan today.

In late 1971, a U.S. District Court ruled in the case of San Antonio I.S.D. vs. Rodriguez, that Texas' school finance plan was unconstitutional because it denied equal protection guaranteed by the Fourteenth Amendment. The court held that the Texas plan, which relied heavily on local property wealth, discriminated against children living in property poor districts. Those districts with greater property wealth were capable of spending more on education, thereby providing higher quality educational services. On appeal, the case was heard by the U.S. Supreme Court in 1972. In 1973, the Supreme Court reversed the lower court's findings on the grounds that there were no federal constitutional issues involved in state school finance, thereby ending the series of school finance decisions that relied upon the Fourteenth Amendment to invalidate school finance laws. Subsequent judicial challenges in states would now need to be based upon state law.

In 1973, the Texas legislature failed to enact any reform measures in response to the Rodriguez case. However, in 1975, the state legislature passed H.B. 1126, creating a state equalization aid program above the Foundation School Program. And in 1977, the legislature passed S.B.1 which effectively increased state aid to school districts through the existing programs.

The Texas School Finance Plan

Under the current Texas school finance plan, funds for public elementary and secondary education come from three sources: local revenues, state aid and federal

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aid. Figure 1 illustrates how these three sources combined to provide $4,223 million in total educational revenue for 1977-78. Local revenues accounted for $1,882 million or 44.6 percent of all revenues. State revenues accounted for $2,019 million or 47.8 percent of the total, and federal revenues accounted for $322 million or 7.8 percent of the total.

The Texas school finance plan is designed to equalize the revenue that is available to school districts for the cost of education. The plan draws upon three state aid programs: the Foundation School Program, the per capita Available School Fund and State Equalization Aid. Figure 2 illustrates how these three aid programs work together with local support and federal aid to meet district educational expenditures.

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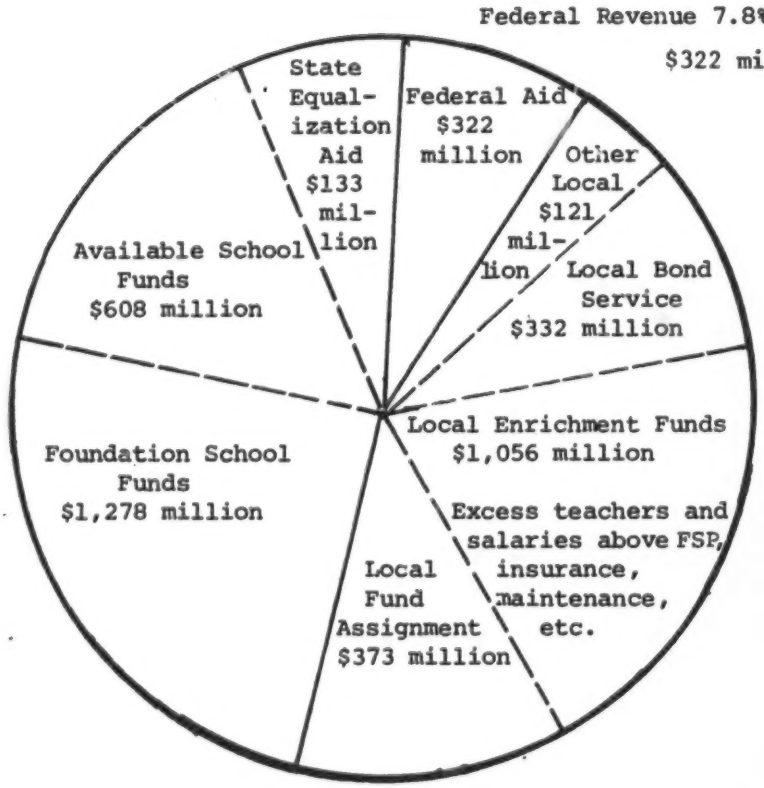
FIGURE I

Local, State, and Federal
Current Revenue for
Public Elementary and Secondary Education
1977-78


Federal Revenue 7.8%
$322 million
State Equal-ization Aid $133 mil-lion
Federal Aid $322 million
Other Local $121 mil-lion
Local Bond Service $332 million
Available School Funds $608 million
Local Enrichment Funds $1,056 million
Foundation School Funds $1,278 million
Excess teachers and salaries above FSP, insurance, maintenance, etc.
Local Fund Assignment $373 million
State Revenue 47.8%
$2,019 Million
Local Revenue 44.6%
$1,882 Million

Total Current Revenue $4,223 million

SOURCE: Texas Education Agency

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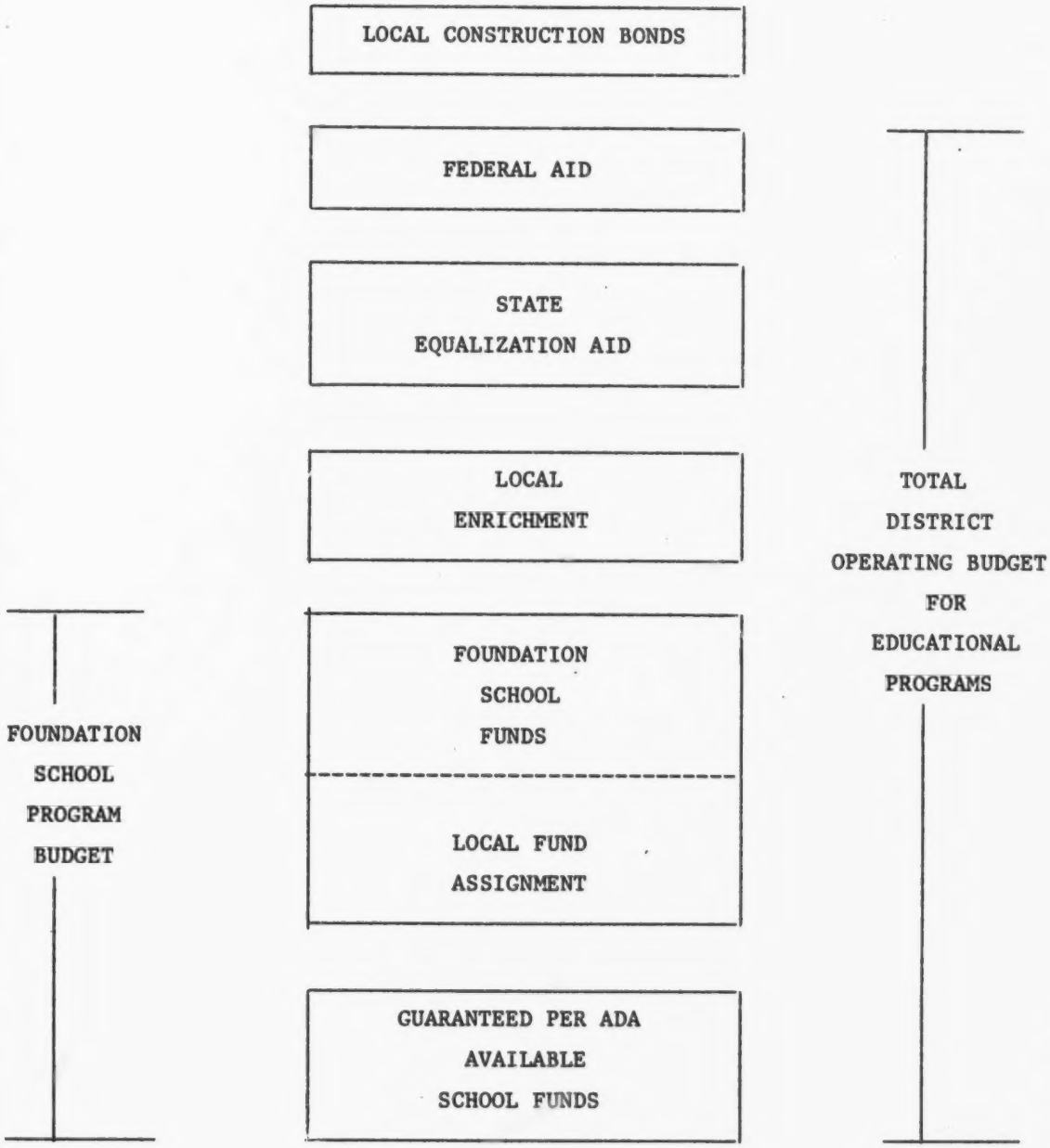
Figure 2
Texas School Finance Plan



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The Foundation School Program

The Texas Foundation School Program (FSP) addresses disparities in district ability to support the cost of education. Under the FSP, the state guarantees each school district a basic amount of money to support the cost of K-12 education. This guaranteed amount is known as the Foundation School Budget. Unlike many foundation aid programs which define the guaranteed amount as a cost per pupil, the Texas FSP defines the guaranteed amount as a total district educational cost or budget. Local school districts are expected (but not required) to contribute to the guaranteed amount. The local share, known as the Local Fund Assignment, is determined by levying a state mandated tax rate on a local district's property wealth. State aid is the difference between the Foundation School Budget and the Local Fund Assignment.

Foundation School Program Aid = Foundation School Budget − Local Fund Assignment

Under the Foundation School Program, this state aid comes from two sources: the per capita Available School Fund and the Foundation School Fund.

Foundation School Program Aid = Available School Funds + Foundation School Funds

Thus the formula for computing state aid becomes:

Foundation School Funds + Available School Funds = Foundation School Budget − Local Fund Assignment

The first step in computing Foundation School Program aid is determining the Foundation School Budget.

Foundation School Budget

The Foundation School Budget is the amount of money guaranteed by the state to cover the cost of public education within each school district. The Budget accounts for Foundation School Program salaries, maintenance and operation costs, and transportation for the regular education program, the special education

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program and the vocational education program. (Building construction costs are not included since they are considered the responsibility of local districts.) The Foundation School Budget also provides for categorical program expenses for: the Educationally Disadvantaged, Bilingual Education, the Gifted and Talented, and Driver Education.

The Budget is determined using a series of state mandated formulas which are based upon the number of personnel units used by a district (not to exceed its total allocation) and the district's ADA. Before discussing how to determine a Foundation School Budget, it is necessary to understand the concept of personnel units and how they are allocated by the state to school districts.

Personnel Units

Using a detailed indexing system, Texas has defined all of its educational staff and administrative positions in terms of personnel units with corresponding minimum salary levels. The assigned personnel unit values account for job classification, qualifications and experience (Table 7). Under the Foundation School Program, the state guarantees each school district funding to support a minimum number of personnel units (PU). Each district uses its allotment of personnel units to achieve the mix of instructional staff, administrators and other personnel which it feels best meets the educational needs of its students. Districts may hire additional teachers, and other personnel as needed; however, the expense is not covered by the Foundation School Budget. In allocating its PU's, a district is governed by three conditions:

1) A district must maintain a teacher:pupil ratio of 1 to 25.
2) 94% of the PU's allotted for grades K-1, and 80% of the PU's allotted for grades 2-3 must be used for instructional staff.
3) For the purpose of determining a Foundation School Budget and Foundation State Aid, a district may not exceed its total PU allotment.

Personnel units are allocated to school districts by the state based upon the district's total refined number of students in average daily attendance (ADA) for the best five 6-week periods of the preceding school term. Refined ADA is total or gross ADA less the number of ineligible students[8] as defined in the

[8]The bulk of all ineligible students are those students considered by the Texas Education Agency to be either under-aged or over-aged. Statewide, ineligible students number approximately 10,000.

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Table 7
Pay Grade and Personnel Unit Index
For Texas Educational Personnel

POSITION	PERSONNEL UNIT VALUE	PAY GRADE	CONTRACTUAL NO. MONTHS PAID ANNUALLY
Educational Aide I	.55	1	10
Educational Secretary I	.55	1	10
Educational Aide II	.60	2	10
Educational Secretary II	.60	2	10
Educational Aide III	.75	3	10
Educational Secretary III	.75	3	10
Teacher Trainee I	.80	4	10
Teacher Trainee II	.90	5	10
Certified Nondegree Teacher	.90	5	10
Nurse, R.N. and/or Bachelor's Degree	1.00	7	10
Teacher, Bachelor's Degree	1.00	7	10
Vocational Teacher,	1.00	7	10
Bachelor's Degree and/or	1.00	7	11
Certified in Field	1.00	7	12
Librarian I, Bachelor's Degree	1.00	7	10
Visiting Teacher I, Psychological Associate, Bachelor's Degree	1.00	7	10
Teacher, Master's Degree	1.00	8	10
Vocational Teacher,	1.00	8	10
Master's Degree	1.00	8	11
Librarian II, Master's Degree	1.00	8	10
Physician, M.D.	1.00	8	10
Special Duty Teacher, Master's Degree	1.15	9	10
Visiting Teacher, II Master's Degree	1.20	10	10
Counselor I, Psychologist	1.20	10	10
Supervisor I	1.20	10	10

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Table 7
(Con't)

POSITION	PERSONNEL UNIT VALUE	PAY GRADE	CONTRACTUAL NO. MONTHS PAID ANNUALLY
Part-time Principal--11 or fewer teachers on campus	1.20	10	10
Instructional/Administrative Officer I	1.20	10	10
Assistant Principal--20 or more teachers on campus	1.25	11	10
Instructional/Administrative Officer IV	1.40	13	11 12
Principal--50-99 teachers on campus	1.50	14	11
Principal--100 or more teachers on campus	1.50	14	12
Instructional/Administrative Officer V	1.50	14	12
Superintendent--District with 400 or less ADA	1.50	14	12
Instructional/Administrative Officer VI	1.75	15	12
Superintendent--District with 401-3,000 ADA	1.75	15	12
Instructional/Administrative Officer VII	2.00	16	12
Superintendent--District with 3,001-12,500 ADA	2.00	16	12
Instructional/Administrative Officer VIII	2.25	17	12
Superintendent--District with 12,501-50,000 ADA	2.25	17	12
Superintendent--District with 50,000 or more ADA	2.50	18	12

SOURCE: Texas Education Agency, Austin, TX

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Daily Register of Pupil Attendance. Gross ADA is found by dividing the aggregate days attendance by the number of days school is in session. Kindergarten students attending a half-day session, or a full day session a half-year, are computed at ½ ADA.

FSP Regular Education Program

Personnel units for the regular education program, are allocated to districts according to the following formula:

REGULAR EDUCATION PROGRAM

For Grades	1 PU per __ #ADA
K-3	18.5
4-6	21
7-9	20
10-12	18

For our example district, Lone Star School District, with a total refined ADA of 3,765, distributed as follows, the state guaranteed personnel unit allotment for its regular education program is 195.

Lone Star School District

Grades	Total Refined ADA	PU Allotment Per ADA	Total PU Allotment
K-3	740	18.5	40
4-6	945	21.0	45
7-9	1000	20.0	50
10-12	1080	18.0	60
TOTALS	3765		195

The total PU's allotted for each grade range are calculated as follows:

$$\text{Total PU Allotment} = \frac{\text{Total Refined ADA}}{\text{PU Allotment Per \#ADA}}$$

As an example, for grades K-3 the total refined ADA is 740 and 1 PU is allotted for every 18.5 students in ADA. The total number of PU's allotted for grades K-3 is found by dividing 740 by 18.5:

$$\frac{740}{18.5} = 40 \text{ PU's}$$

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Adjusting Regular Program Personnel Units

In addition to the total number of personnel units allotted to a district based upon ADA, some districts are allotted extra PU's to compensate for sparse student populations or small district size. For the calculation of adjusted personnel units (APU) see Appendix A.

Personnel units are further adjusted to account for the vocational education program and the special education program. Total PU's or APU's are reduced by an amount equal to ½ of the additional personnel units allocated for vocational education and ¼ of the additional personnel units designated for special education.

FSP Vocational Education Program

School districts are allotted additional personnel units, above the regular program allotment, to operate vocational education programs. The number of additional PU's is determined at the state level through a complex series of formulas which are based on district need and the total funds allocated by the state for vocational education.

FSP Special Education Program

For the operation of a special education program each school district is permitted a maximum entitlement of 30 special education PU's for the first 3000 total ADA, and 4.25 PU's for each additional 500 ADA, provided at least 12% of the total ADA are handicapped and being served. If less than 12% of the ADA are handicapped and being served, PU's are allotted on a prorated basis. See Appendix A for the formula.

Allocating PU to Staff

To understand how a district allocates its PU's in making staff assignments, consider the Lone Star District which has been allotted 195 PU's by the state for the 1977-78 school year. Using the personnel unit values outlined in Table 7, the Lone Star District chooses to hire the following FSP educational personnel for its public schools (see Table 8):

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Table 8
Lone Star District
School Year 1977-78
Regular Program
Foundation Program Personnel Units

	PAY GRADE	(1) NO. OF PEOPLE	(2) PERSONNEL UNIT VALUE	TOTAL PU'S (1) x (2)
Educational Aides I	1	15.0	.55	8.25
Educational Aides II	2	12.0	.60	7.20
Educational Aides III	3	10.0	.75	7.50
Bachelor's Degree Teachers	7	82.0	1.00	92.00
Master's Degree Teachers	8	51.0	1.00	51.00
Vocational Education Teachers[a]	7	12.0	.50	6.00
Special Education Teachers[b]	7	36.0	.25	9.00
Librarians	7	4.0	1.00	4.00
Counselor/Supervisor	10	8.0	1.20	9.60
Assistant Principal	11	1.0	1.25	1.25
Instructional/Administrative Officer II	11	1.0	1.25	1.25
Instructional/Administrative Officer III	12	1.0	1.30	1.30
Principal-20-49 Teachers	13	2.0	1.40	2.80
Principal-50-49 Teachers	14	1.0	1.50	1.50
Superintendent-3,001-12,500 ADA	16	1.0	2.00	2.00
TOTAL		237.0		194.6 = 195[c]

[a]Vocational education teachers are counted at 50% of their index level for the purpose of allocating personnel units for the regular education program. (Discussed in more detail later).

[b]Special education teachers are counted at 25% of their index level (as above).

[c]All fractional PU values equal to or greater than .5 are rounded up to the next whole PU value; all fractional values less than .5 are rounded down to the next whole value.

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Exercises on Personnel Units

1. Calculate the total number of personnel units for a regular education program allocated to a district with the following ADA:

	District A	District B	District C
ADA grades K-3	630	925	2826
ADA grades 4-6	882	1260	3545
ADA grades 7-9	700	1300	3400
ADA grades 10-12	756	1440	3240
Total ADA	2,986	4925	13,011

2. Calculate the number of PU values a district will need if it wishes to employ the following educational personnel for its regular education program:

District A	District B
2 Educational Aides II	3 Educational Aides II
1 Educational Aide III	2 Educational Aides III
20 Bachelor's Degree Teachers	30 Bachelor's Degree Teachers
10 Master's Degree Teachers	15 Master's Degree Teachers
1 Vocational Education Teacher	1 Vocational Education Teacher
5 Special Education Teachers	7 Special Education Teachers
1 Librarian	1 Librarian
2 Counselors	3 Counselors
1 Assistant Principal	1 Assistant Principal
1 Principal - 20-40 Teachers	1 Principal - 20-40 Teachers
1 Superintendent - 401-3000 ADA	1 Superintendent - 401-3000 ADA

3. The state has recently cut Lone Star District's personnel unit allotment by 7% or 14 PU's. Referring to page 27, show how you might redistribute personnel assignments to account for the loss in PU's.

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Computing a Foundation School Budget

Recall that the Foundation School Budget is the amount of money guaranteed by the state to cover the cost of a basic education for each student in a school district. The budget accounts for FSP salaries, maintenance and operation costs, and transportation for the regular education program, the special education program and the vocational education program. It also covers the cost of programs for the Educationally Disadvantaged, Bilingual Education, the Gifted and Talented and Driver Education. The following is an explanation of the formulas used in computing the Foundation School Budget.

Salaries

Educational personnel salaries are based on an index matrix of PU values. The index (Table 9) has 18 pay grades, each with a base monthly pay (step 0) and 13 step intervals. As seen in Table 7, each personnel position is assigned a pay grade rank and the number of months for which salary is paid. Most positions are paid on a 10-month basis. The salary index represents minimum salary levels guaranteed by the state for Foundation School Program personnel. School districts may choose to pay their personnel higher salaries but the increase cannot be counted into the Foundation School Budget for the purpose of determining state aid.

The salary value of 1.00 PU has been set by the state at $940 for 1977-78 and $949 for 1978-79. To compute the monthly base pay of a starting teacher with a bachelor's degree, you multiply the step "0" PU value for pay grade 7 by $949.

Step "0" PU	x	$949	=	Monthly Base Pay
.90	x	$949	=	$854

The monthly base pay is $854. This same teacher (pay grade 7) at step 13 would earn $1,452 per month.

Step "13" PU	x	$949	=	Monthly Base Pay
1.53	x	$949	=	$1,452

To raise minimum salaries, the state legislature simply adopts a higher salary value associated with 1.00 PU.

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Table 9
Educational Personnel
Salary Index

Defined in Personnel Unit Values

PAY GRADE	STARTING 0	MONTHLY BASE PAY IN STEPS 1	2	3	4	5	6	7	8	9	10	11	12	13
1	.46	.48	.50	.52	.54	.56	.58	.61	.63	.65	.67	.69	.71	.73
2	.53	.55	.57	.59	.61	.63	.66	.69	.72	.75	.78	.81	.82	.83
3	.63	.65	.67	.70	.73	.76	.79	.82	.83	.84	.85	.86	.87	.88
4	.68	.71	.74	.77	.80	.83	.86	.90	.94	.98	1.02	1.06	1.10	1.14
5	.72	.75	.78	.82	.86	.90	.94	.98	1.03	1.08	1.13	1.16	1.23	1.28
6	.78	.81	.84	.88	.92	.96	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.35
7	.90	.93	.96	1.00	1.04	1.08	1.13	1.18	1.23	1.29	1.35	1.41	1.47	1.53
8	.96	.99	1.03	1.08	1.13	1.18	1.23	1.29	1.35	1.41	1.47	1.53	1.59	1.65
9	.98	1.02	1.06	1.10	1.15	1.21	1.27	1.33	1.39	1.45	1.52	1.59	1.66	1.73
10	.99	1.04	1.09	1.14	1.19	1.25	1.31	1.37	1.43	1.49	1.56	1.63	1.70	1.77
11	1.05	1.09	1.14	1.19	1.25	1.31	1.37	1.43	1.49	1.55	1.61	1.67	1.73	1.79
12	1.08	1.13	1.18	1.23	1.28	1.33	1.39	1.45	1.52	1.59	1.67	1.75	1.83	1.91
13	1.16	1.21	1.26	1.31	1.36	1.42	1.48	1.55	1.62	1.69	1.77	1.85	1.93	2.01
14	1.23	1.28	1.33	1.39	1.45	1.51	1.57	1.64	1.71	1.78	1.87	1.96	2.05	2.14
15	1.40	1.46	1.52	1.58	1.64	1.70	1.78	1.86	1.94	2.03	2.13	2.23	2.33	2.43
16	1.56	1.63	1.70	1.77	1.84	1.92	2.00	2.09	2.18	2.28	2.39	2.50	2.61	2.72
17	1.80	1.85	1.91	1.97	2.05	2.13	2.22	2.32	2.42	2.53	2.65	2.77	2.89	3.01
18	1.86	1.95	2.04	2.14	2.25	2.36	2.47	2.58	2.69	2.80	2.91	3.02	3.13	3.24

SOURCE: S.B. No. 1; Texas Education Agency, Austin, Texas

Maintenance and Operation

To cover maintenance and operation costs for the Regular Education Program, the state has guaranteed each school district $110 per student in ADA for 1977-78 and $115 per student in ADA for 1978-79. For a school district with 5,000 ADA, the operating allotment for 1978-79 is 5,000 x $115 = $575,000.

The Vocational Education Program receives an additional $400 per vocational education teacher. If the Program employs five vocational education teachers, the operating allotment is 5 x $400 = $2,000.

The Special Education Program receives a separate operating cost allotment, to cover books and other instructional materials, of $500 per special education teacher. If a school district, using its PU allotment, employs 25 special education teachers, its operating cost allotment is 25 x $500 = $12,500. In addition, the state grants an unspecified amount of money (limited by state legislative appropriations) for the support of Regional Education Service Centers, established for the cooperative use of all school districts.

The guaranteed operating allotments for both the vocational and special education program are subject to downward adjustments if the level of needed support exceeds the statewide limit for funding for each of these programs. In this event, district allotments are adjusted downward by the state on a prorata basis.

Transportation

Allowable transportation costs, covering maintenance, operation, salaries, and depreciation, for the regular education program are as follows:

Bus Capacity	1977-78 Cost Per Bus	1978-79 Cost Per Bus
72	$5,701	$5,986
60-71	5,492	5,767
49-59	5,283	5,547
42-48	5,074	5,328
30-41	4,866	5,109
20-29	4,657	4,890
15-19	3,821	4,012
1-14	161	169

Total transportation costs are found by multiplying the number of buses in each category by the cost per bus.

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Transportation costs for the Vocational Education Program are determined on an exact cost basis. The exact number of miles traveled by the vehicle is multiplied by the district's "extra curricular exact mile rate."

The maximum transportation entitlement for the Special Education Program has been set by the state at $278 per exceptional student for 1977-78 and $292 per exceptional student for 1978-79. Total transportation costs are found by multiplying the number of exceptional students by the transportation rate.

Categorical Aid

Educationally Disadvantaged. School districts which receive federal compensatory education aid are eligible for $40 per Title I eligible student within a statewide total limit of $25.4 million annually. If the total amount of aid for which all districts are eligible exceeds the statewide limit, district allocations will be adjusted downward on a prorata basis.

Bilingual Education. School districts receive $25 per eligible student for operating costs within a statewide limit of $5.2 million annually.

Gifted and Talented. No state aid has yet been authorized.

Driver Education. School districts receive $25 per student in driver education, the total number of students is not to exceed 20% of grades 10-12 enrollment.

As an example of how a Foundation School Budget is computed, consider again Lone Star District with an ADA of 3,765, employing 189 regular program educational personnel, 12 vocational education teachers, and 36 special education teachers.

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Lone Star District
Foundation School Budget

Foundation Salary Expense			
Based on a total salary			
PU value of 205.3[a] (starting leval) paid on an average of 10 months			
(205.3 x $949) x 10 months			$1,948,297
Maintenance and Operation			
Regular:	($115 x 3765)	$432,975	
Voc Ed:	($400 x 12)	4,800	
Special Ed:	($500 x 36)	18,000	
			455,775
Transportation			
Based on 50 exceptional students			
and 3500 students requiring			
58 buses at $5,767 each			
	($292 x 50)	$ 14,600	
	($5,767 x 58)	334,486	
			349,086
Compensatory Education			
Based on 564 ESEA Title I students			
	($40 x 564)		22,560
Driver Education			
Based on 310 students			
	($25 x 310)		7,750
Bilingual Education			
Based on 753 eligible students			
	($25 x 753)		18,825
Total Budget			$2,802,293

This $2,802,293 is the total budget for Lone Star District's Foundation School Program. As figure 2 illustrates, this is not necessarily the total educational operating budget. Lone Star District may choose to raise local enrichment funds,

[a]Total salary PU value, at the starting level, was determined by multiplying the total number of personnel at each pay grade by the salary PU value associated with the starting salary level for that pay grade (p. 30). Personnel were taken from p. 26.

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hire additional personnel, pay higher salaries, or otherwise enrich the educational program.

Exercises on Foundation School Budgets

1. Compute a Foundation School Budget for District A based on the following information: (Assume a 10-month work year for all personnel).

   Total ADA = 1500

   Exceptional students = 50 (Special Education)

   Title I students = 180

   Driver Education students = 130

   Bilingual Education students = 225

   # of Buses = 20 buses (60 to 71 capacity)

   Educational Personnel (Use starting salary levels)

   2 Educational Aides II

   1 Educational Aide III

   20 Bachelor's Degree Teachers

   10 Master's Degree Teachers

   1 Librarian

   5 Special Education Teachers

   2 Counselors

   1 Assistant Principal

   1 Principal-20-40 teachers

   1 Superintendent-401-3000 ADA

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2. Compute a Foundation School Budget for District B based on the following information:

ADA = 2500

Exceptional students = 30

Title I students = 300

Driver Education students = 150

Bilingual Education Students = 350

# of Buses = 40 buses (60 to 71 capacity)

Educational Personnel

3 Educational Aides II

3 Educational Aides III

45 Bachelor's Degree Teachers

27 Master's Degree Teachers

7 Special Education Teachers

2 Vocational Education Teachers

3 Librarians

4 Counselors

1 Assistant Principal

1 Part-time Principal

1 Principal-20-40 teachers

1 Superintendent-401-3000 ADA

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Local Fund Assignment

The Local Fund Assignment (LFA) is the district's expected contribution toward the Foundation School Budget. A district is not required by the state to raise its LFA in order to receive Foundation School Program Aid. In 1977-78, the Local Fund Assignment provided $373 million (16.5 percent) of the $2,259 million in Foundation School Program revenues.

School districts raise the Local Fund Assignment by levying a property tax, or maintenance tax as it is sometimes called on the district's property valuation. The actual tax rate is prescribed by the state. In Texas the property tax is expressed as a rate of so many cents per $100 of property value. Generally, tax rates are expressed in mills, a rate of $1.00 per $1000 of property value. A district's LFA is the smallest contribution level resulting from any of the following computations:

1) A tax rate of 18¢ per $100 of property value (1.8 mills) levied on the district's full market value of property, as defined by the Government Office for Educational Resources. (GOER).
2) A tax rate of 20.5¢ per $100 of property value (2.05 mills) levied on the district's agricultural use value of property, as defined by GOER.
3) A district's LFA cannot exceed 125 percent of the previous year's LFA.

As an example, consider Lone Star District with a GOER full market value of property of $115,076,037 and a GOER agricultural use value of $105,398,563 (1978-79). Last year's LFA was $170,000. The 1978-79 Local Fund Assignment is computed as follows:

1) $\frac{.18 \times \$115,076,037}{\$100} = .0018 \times \$115,076,037 = \$207,137$

   or 1.8 mills $\times$ \$115,076,037 $= \frac{1.8 \times \$115,076,037}{\$1000}$

   $= .0018 \times \$115,176,037 = \$207,137$

2) $\frac{.205 \times \$105,398,563}{\$100} = .00205 \times \$105,398,563 = \$216,067$

   or 2.05 mills $\times$ \$105,398,563 $= \frac{2.05 \times \$105,398,563}{\$1000}$

   $= .00205 \times \$105,398,563 = \$216,067$

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3) 125% x $170,000 = 1.25 x $170,000
= $212,500

The Local Fund Assignment for Lone Star District is the smallest of these three values, $207,137 (computed on the full market value).

Exercises on Local Fund Assignment

1. Compute the Local Fund Assignment for each of the following districts:

	DISTRICT A	DISTRICT B
GOER Full Market Value	35,820,073	87,376,069
GOER Agricultural Use Value	31,219,587	76,764,100
Last Year's LFA	60,000	155,133

2. Compute the Local Fund Assignment for each of the following districts:

	DISTRICT C	DISTRICT D
GOER Full Market Value	92,175,200	2,000,000,000
GOER Agricultural Use Value	81,954,000	1,000,000,000
Last Year's LFA	132,000	2,000,000

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Foundation School Program Aid

Foundation School Program Aid is designed to guarantee each local district a basic amount of money to support the cost of K-12 education. Guaranteed state aid is the difference between the Foundation School Budget and the Local Fund Assignment.

(1) Guaranteed Foundation School Program Aid = Foundation School Budget - Local Fund Assignment

Under the Foundation School Program state aid comes from two sources: the per capita Available School Fund and the Foundation School Fund.

(2) Foundation School Program Aid = Available School Funds + Foundation School Funds

Thus the formula for state aid becomes:

(3) Available School Funds + Foundation School Funds = Foundation School Budget - Local Fund Assignment

In computing state aid, a district first determines the amount of Available School Funds, based upon ADA, to which it is entitled. The difference between the total amount of state aid a district is guaranteed and its Available School Fund is the Foundation School Fund.

The Available School Fund

The Available School Fund is the investment income from the stocks and bonds of the Permanent School Fund, a perpetual endowment established by the state in the mid-1800's to provide support for public education. The Available School Fund guarantees state aid to <u>all</u> school districts based upon the number of students in ADA. Local property wealth is <u>not</u> a factor in distributing Available School Funds (ASF). The amount of aid provided per ADA is determined by the state by dividing the total amount of ASF for distribution by the total state ADA. For 1978-79, the ASF allotment was $240 per ADA. The amount of Available School Funds guaranteed to Lone Star School District with 3,765 students in ADA is:

$240 x 3,765 or $903,600

(This figure can be subject to some adjustments by the state.)

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Exercises on Available School Fund

1. Compute the Available School Funds guaranteed to each of the following districts:

	Refined ADA
District A	1500
District B	2500

2. Compute the Available School Funds guaranteed to each of the following districts:

	Refined ADA
District C	3000
District D	7500
District E	4125
District F	15,690

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Foundation School Funds

The amount of Foundation School Funds a district receives is the difference between the district's total guaranteed state aid and the district's Available School Funds.

(4) $$\text{Foundation School Funds} = \text{Guaranteed Foundation School Program Aid} - \text{Available School Funds}$$

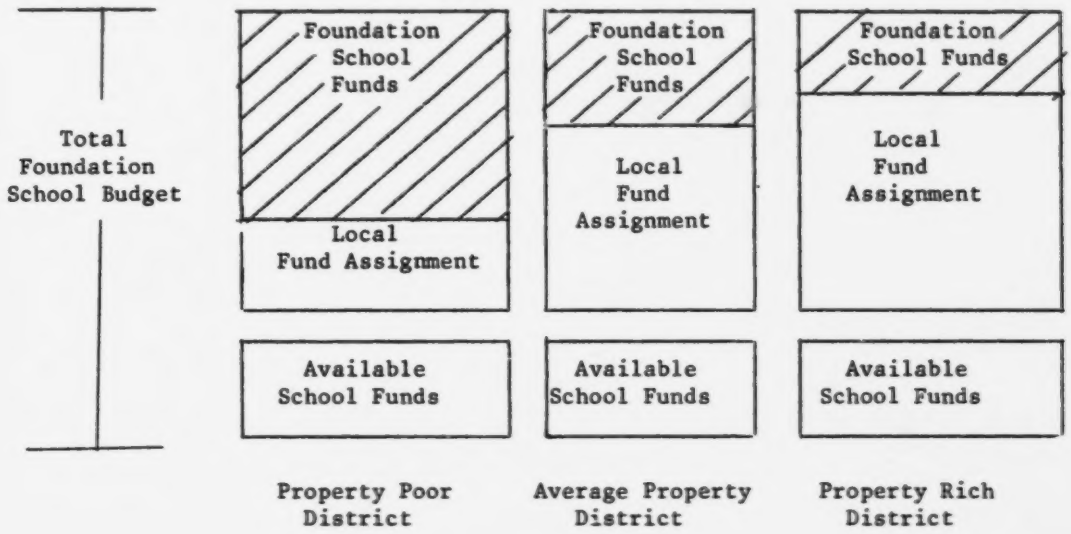
Substituting from equation (1) on page 39, a district's Foundation School Funds can be computed as follows:

(5) $$\text{Foundation School Funds} = \left(\text{Foundation School Budget} - \text{Local Fund Assignment}\right) - \text{Available School Funds}$$

Using the above formula (5) the amount of Foundation School Funds guaranteed Lone Star School District is computed as follows:

Foundation School Funds = ($2,802,293 - $207,137) - $903,600
= $2,595,156 - $903,600
= $1,691,556

The following illustration shows how the amount of Foundation School Funds a district receives depends primarily upon the district's property wealth. In comparing a property rich district with a property poor district, levying the same property tax rate, the property rich district will be able to raise a greater Local Fund Assignment than will the property poor district. If both districts have similar ADA and similar educational needs, the property rich district, with a greater Local Fund Assignment, will recieve less Foundation School Funds than will a property poor district.



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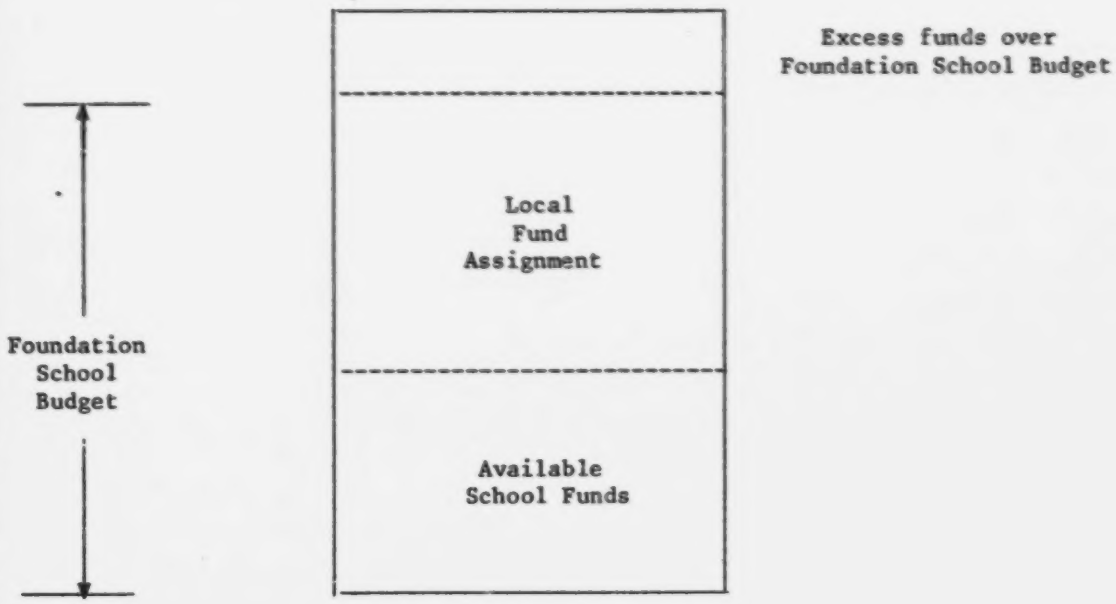
A Balanced Budget District occurs if the sum of a district's Local Fund Assignment and Available School Funds is equal to or greater than the district's state allotted Foundation School Budget. A Balanced Budget District will always be guaranteed its full entitlement of per ADA Available School Funds; however, it will not receive any Foundation School Funds. Under this provision, it is possible for a property rich district with a substantial ADA to actually receive more state aid, in the form of per ADA Available School Funds, than it needs to operate a Foundation School Program.

Balanced Budget District



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Exercises on Foundation School Funds

1. Refer back to the exercises on calculating a Foundation School Budget (p. 35), the Local Fund Assignment (p. 39) and the Available School Fund (p. 41). Using the figures you calculated for District A and District B, now compute the Foundation School Funds guaranteed to both District A and District B.

2. Compute the Foundation School Funds guaranteed District C with the following:

Foundation School Budget	$12,480,000
Local Fund Assignment	4,200,000
Available School Fund	2,880,000

Suppose that next year there is a sharp rise in District C's property value, resulting in a 20% increase in the Local Fund Assignment. Compute the Foundation School Fund for District C with an increased LFA = $5,040,000. Compare the new Foundation School Fund with the above amount.

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3. Compute the Foundation School Fund for District D with the following:

Foundation School Budget	2,585,000
Local Fund Assignment	2,300,000
Total Refined ADA	2,000

(Hint: Compute the Available School fund first)

Local Enrichment

In Texas, school districts are allowed to assess a higher property tax to enrich school revenues than is mandated by the state for the Local Fund Assignment. Most districts take advantage of this provision to offer a higher quality educational program than provided for under the Foundation School Program.

Almost half of the total $1,056 million in Local Enrichment funds raised by districts in 1977-78 went to support additional teachers above the FSP allotment, and higher salary levels than provided for under the schedule. The other half of the Local Enrichment Funds went to support other education operating and maintenance expenditures, including such mandated program as workers' compensation insurance, unemployment insurance, fixed costs (building insurance, utilities), food services, etc. In 1977-78, total Local Enrichment funds accounted for 27% of all operating expenditures in the state.

Local districts are limited by the state in their ability to raise Local Enrichment Funds through higher property tax rates. For the purpose of raising local revenues for educational operating expenses, the state requires that a district not tax its property value at a rate greater than a total of $1.40 per $100 (14 mills) of GOER estimated full market value of property, or $1.50 per $100 (15 mills) of assessed value of property, whichever is less. (A mill is $1 per $1000 of property value.) In practice, the limit of $1.50 per $100

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of assessed value of property is used. Net Local Enrichment is the difference between the total local revenue raised and the Local Fund Assignment.

The maximum local revenue for operating expenses which Lone Star School District could raise is found by multiplying a tax rate of $1.50 per $100 of property value on the total assessed property value of $115,076,037:

.015 x $115,076,037 = $1,726,141

If the district raises its Local Fund Assignment of $207,137, then Local Enrichment is the difference between the maximum local revenue raised and the LFA:

$1,726,141 - $204,137 = $1,519,004

Exercises on Local Enrichment

1. Compute the maximum local revenue each of the following districts could raise for operating expenses using the districts assessed property value.

	Assessed Property
District A	35,820,073
District B	87,376,069
District C	92,175,200
District D	2,000,000,000

2. Compute the net Local Enrichment for each of the above districts. Refer back to the exercises on Local Fund Assignment (p. 39) for each district's LFA.

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State Equalization Aid

Recognizing the disparity in local property wealth among school districts, State Equalization Aid (SEA) is designed to equalize the Local Enrichment Funds raised by districts. To qualify for State Equalization Aid, a district must raise its Local Fund Assignment for the Foundation School Program. The amount of SEA a district receives depends upon its average property value per pupil relative to the state average property value per pupil.

If a district has an average property value per pupil which is less than 1.10 times the state average property value per pupil then it qualifies for SEA in an amount equal to:

$$SEA = \left(1 - \frac{DAPV/ADA}{SAPV/ADA \times 1.10}\right) \times ADA \times \$185$$

Where SEA = State Equalization Aid

DAPV/ADA = District Adjusted (Average) Property Value per ADA; found by dividing the average of the district's GOER full market value of property plus its GOER agricultural use value[9] by the ADA

SAPV/ADA = State Adjusted (Average) Property value per ADA; found by dividing the average of the total GOER statewide full market value of property and the total GOER statewide agricultural use value by the total statewide ADA.

For 1978-79, 1.10 times the state average property value per ADA (SAPV/ADA x 1.10) has been determined as $91,309. This means any school district having an average property value per pupil which is less than $91,309 is entitled to SEA using the above formula.

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[9]The average of a district's GOER full market value of property plus its GOER agricultural use value is equal to the sum of the total GOER full market value of property plus the total GOER agriculture use value divided by 2.

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For a school district with an average property value per pupil of $75,000 and an ADA of 5,000 its state equalization aid would be computed as follows:

$$\text{SEA} = \left(1 - \frac{\text{DAPV/ADA}}{\text{SAPV/ADA} \times 1.10}\right) \times \text{ADA} \times \$185$$

$$= \left(1 - \frac{75{,}000}{91{,}309}\right) \times 5000 \times \$185$$

$$= \left(1 - .82\right) \times 5000 \times \$185$$

$$= .18 \times 5000 \times \$185$$

$$= \$166{,}500$$

If a district has an average property value per pupil which is less than .50 times the state average property value per pupil, it qualifies for more aid. The formula for calculating SEA is the same as above except that $210 is substituted for the $185. For 1978-79, .50 times the state average property value per ADA has been determined as $41,504.

Consider the above school district with an average property value of 35,000 and ADA = 5,000. It's state equalization aid would now be computed as:

$$\text{SEA} = \left(1 - \frac{\text{DAPV/ADA}}{\text{SAPV/ADA} \times 1.10}\right) \times \text{ADA} \times \$210$$

$$= \left(1 - \frac{35{,}000}{91{,}309}\right) \times 5000 \times \$210$$

$$= \$647{,}520$$

A statewide cap of $135 million per annum in SEA to districts has been set by the state legislature. This has the effect of reducing SEA district entitlements proportionately should the total statewide request for SEA exceed the limit.

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Exercises on State Equalization Aid

1. Compute State Equalization Aid for each of the following school districts:

	District A	District B
Average Market Value per ADA	22,346	32,828
Total refined ADA	1,500	2,500

2. Compute State Equalization Aid for each of the following school districts:

	District	District	District
Average Market Value per ADA	73,000	82,000	65,000
Total Refined ADA	6,000	4,000	5,000

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CHAPTER IV

STUDYING TEXAS' SCHOOL FINANCE PLAN

The school finance reform movement of the past decade has resulted largely from court challenges to existing school finance systems on the grounds that they violated equal protection provisions within state constitutions and laws. The courts held that for a school finance system to be equitable, the level of educational services provided could not be dependent upon the wealth of the district in which the pupil resided. Thus, the school finance reform movement has introduced two basic concepts: fiscal equity and educational equity.

Fiscal equity refers to the ability of school districts to raise educational revenues, as evidenced by district wealth. Since most local revenues for education are raised through a local property tax, district wealth is traditionally measured as equalized property value per pupil. Equalized property value means the values of the property (within a state or district) have been determined on the same or relative scales so that they are comparable. By equalizing the abilities of school districts to raise educational revenues at a given tax rate, fiscal equity or fiscal neutrality is achieved.

Fiscal equity does not necessarily result in any lessening of the disparities in the level of educational services provided, measured in terms of expenditures per pupil. Fiscal equity only requires that educational disparities not be a function of wealth. Disparities in educational expenditure levels may result from the desire of some districts to offer a higher level of educational services through higher property tax rates.

As has already been mentioned, district wealth has been traditionally defined as property wealth per pupil. Some economists claim that a more accurate measure of wealth is average family income, since all taxes, regardless of the tax base, are paid out of income. This adds another perspective to wealth equalization in school finance, since property wealth may not always be highly correlated to family income.

Educational equity refers to the level of educational services provided across all school districts. It is commonly measured in terms of expenditures per pupil. While expenditures do not actually measure educational services, a higher expenditure per pupil does suggest the ability, on the part of school districts, to hire additional or more experienced teachers, to offer more in-

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novative instructional materials, etc. Under this concept of equity, disparities in per pupil expenditures are allowed as long as they are based on some rational measure of differing student need.

The Texas Foundation Program is designed to "equalize" the abilities of school districts to raise educational revenues by guaranteeing each school district, levying the same tax rate, sufficient state aid to yield a guaranteed level of support for education. The amount of Foundation Aid a district receives depends upon the district's property wealth, with poorer districts receiving more state aid. Interestingly, the guaranteed level of support varies among districts to allow for differing educational needs among students. To this extent the Texas plan is equalizing.

However, the Texas plan also allows districts to offer a higher level of educational services by taxing themselves at a higher rate. The ability of local districts to raise local enrichment revenues depends directly upon the district's wealth. The problem that arises is that property poor districts are forced to tax themselves at a much higher rate than a property rich district in order to raise a comparable local enrichment. Even at higher rates, the property poor district may not be able to raise sufficient local enrichment to offer a competitive educational program. Recall that the Texas plan does provide for equalization aid to mitigate the disparities among school districts in their ability to raise local enrichment.

This chapter looks at the disparities among Texas school districts in educational expenditures per pupil and in their ability to raise educational revenues, considering property wealth per pupil and effective local enrichment tax rates. The purpose of this chapter is not to suggest an approach to equity, but to show ways in which the different approaches to equity can be analyzed.

Disparities in Educational Expenditures

To investigate disparities in district expenditures for education, we developed a small systematic sample of 20 Texas school districts. The sample includes large city districts, suburban districts and rural districts throughout the state. Table 10 shows the per pupil expenditures of these districts arranged from the district with the highest per pupil expenditure to the district with the lowest per pupil expenditure.

A quick examination of the data reveals the wide disparities in per pupil

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Table 10
Per Pupil Expenditures 1977-78
Sample of 20 Texas School Districts

District	Current Operating Expenditure	Gross ADA	Per Pupil Expenditures
Leveretts Chapel	$ 623,258	220	$ 2,830
Westbrook	386,167	174	2,214
Booker	579,504	295	1,963
Stinnett	847,705	501	1,691
Stanton	1,349,446	824	1,638
Midland	21,217,109	13,878	1,529
Fort Worth	91,180,325	62,369	1,462
Mt. Enterprise	446,220	318	1,404
Corpus Christi	49,459,253	35,563	1,391
Cross Roads	238,830	181	1,320
Clarendon	680,676	524	1,300
Callalen	2,960,764	2,354	1,258
Atlanta	2,693,975	2,182	1,235
Waskom	815,650	672	1,213
Itasca	609,966	506	1,205
Del Valle	4,218,839	3,670	1,150
Lubbock Cooper	1,220,715	1,108	1,102
Hughes Spring	1,046,651	974	1,075
Shallowater	804,434	760	1,059
Boyd	644,915	680	949
TOTAL	$182,024,402	127,753	$28,988

Prepared By: AFT Research Department with data from the Texas Education Agency, Division of Information Analysis, Austin, Texas, April 1979.

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expenditures among the districts. However, in order to analyze the degree of disparity, it is useful to employ certain statistical techniques which help to summarize the data.

The simplest summary technique is the range, the difference between the highest and lowest value. The range indicates the extremes or how widely dispersed the districts are. In looking at how widespread the disparity is, it is important to keep in mind the relative size of the sample. For our sample, the range is the difference between the per pupil expenditures for Leveretts Chapel (the highest value) and Boyd (the lowest value):

$$\$2,830 - \$949 = \$1881 \qquad \text{Range}$$

For our sample of twenty districts, the range is high.

Another way to look at the range is to examine the ratio between the highest value and the lowest value. The range ratio for our sample is 2.98 to 1:

$$\frac{\$2830}{\$\ 949} = \frac{2.98}{1} \text{ or } 2.98{:}1 \qquad \text{Range Ratio}$$

The ratio shows that Leveretts Chapel spends almost 3 times as much on education per pupil as does Boyd.

The simple mean, weighted mean, and median are all measures of central tendency because they describe some central point or value in the data. These measures are used to describe disparities by comparing their values with the actual values of individual districts. For example, you may indicate how much a particular district varies from the average. Or you may choose to group the districts by degree of variance from the average.

The simple mean, or arithmetic average, is the most familiar method of summarizing data. The mean or average per pupil expenditure in our sample is $1,449. This is found by dividing the sum of each district's per pupil expenditure by 20, the number of districts in our sample.

$$\frac{\$28,988}{20} = \$1,449 \qquad \text{Simple Mean}$$

As a measure of central tendency, the simple mean can be misleading if there are wide differences among districts in the number of pupils. In computing the simple mean, we placed equal weight on each of the values for per pupil expenditures, which represent "averages" of total expenditures per total ADA. Thus, some distortion results from counting a per pupil expenditure of $1,462 for Fort Worth with an ADA of 62,369 the same as a per pupil expenditure of $1,404 for Mt. Enterprise with an ADA of 318.

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This problem can be overcome by calculating a weighted mean or weighted average which does account for the differences among districts in pupils. The weighted average is found by dividing the total operating expenses for all districts by the total ADA for all districts:

$$\frac{\$182,024,402}{127,753} = \$1,424 \qquad \text{Weighted Mean}$$

The median is the middle value when you arrange the values according to size. The per pupil expenditures in Table 10 have been arranged by size from the highest per pupil expenditure to the lowest. The median is the per pupil expenditure that lies halfway between the district with the highest value and the district with the lowest value. As an example, in a distribution with an odd number of values, say 5, the median is the middle or third value (1 2 3 4 5). In our sample of 20 districts, the median is the value which divides the 20 districts into 2 equal parts. Thus, it lies midway between the 10th and 11th values or between \$1,320 (Cross Roads) and \$1,300 (Clarendon). The median is computed as follows:

(1) $\frac{\$1,320 - \$1,300}{2} = \frac{20}{2} = 10$

(2) \$1,300 + 10 = \$1,310 Median

or (3) \$1,320 - 10 = \$1,310 Median

A summary of the data on per pupil expenditures for our 20 Texas school districts (Table 10) follows:

Range:	\$1,881
Range Ratio:	2.98 : 1
Simple Mean:	\$1,449
Weighted Mean:	\$1,424
Median:	\$1,310

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Exercises

1. From Table 10, develop a summary table, like the one on page 53, for the following districts:

   Booker

   Cross Roads

   Waskom

   Stanton

   Hughes Spring

2. Develop a summary table for Midland, Fort Worth, and Corpus Christi. How does it compare to the sample of 20 districts?

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Statewide Per Pupil Expenditure Disparities

We have used the small sample of 20 districts to illustrate how data can be summarized for the purpose of analyzing disparities among districts in per pupil expenditures. However, such a small sample cannot be very representative of the entire state. Because of the computation problems of dealing with all 1,107 Texas school districts, the AFT Research Department has developed a larger systematic sample of 98 Texas districts, representative of the state.

Table 11 shows the summary data for the random sample of 98 districts. Because this sample is larger than the sample of 20 districts, the extreme values (highest spending and lowest spending) are greater, yielding a higher range and range ratio. In this sample of 98 districts, the highest spending district spends 3.5 times more on education per pupil than does the lowest district.

The weighted mean of $1,598 in the larger sample is considerably higher than the weighted mean of $1,424 in the smaller sample. This means, within the larger sample, there are more higher spending districts relative to the number of pupils being served. The median value for both samples is almost identical. Based on these comparisons, our small sample of 20 districts, while not totally representative of the state, is a reasonable indicator of state disparity levels.

Another way of analyzing expenditure disparities is to look at the distribution of per pupil expenditures within the larger sample. Table 12 and Figure 3 show this distribution. The figure shows that over 61 percent of the districts in our sample are spending less than the average amount per pupil on educational services. This suggests that over 34 percent of the pupils in our population are receiving a less than average level of educational services.

Table 11
Summary Measures of Per Pupil Expenditures
Sample of 98 Texas School Districts

Highest Spending District (Expenditures Per Pupil)	$3,180
Lowest Spending District	$ 910
Range (highest - lowest)	$2,270
Range Ratio (highest - lowest)	3.49:1
Simple Mean	$1,451
Weighted Mean	$1,598
Median	$1,310

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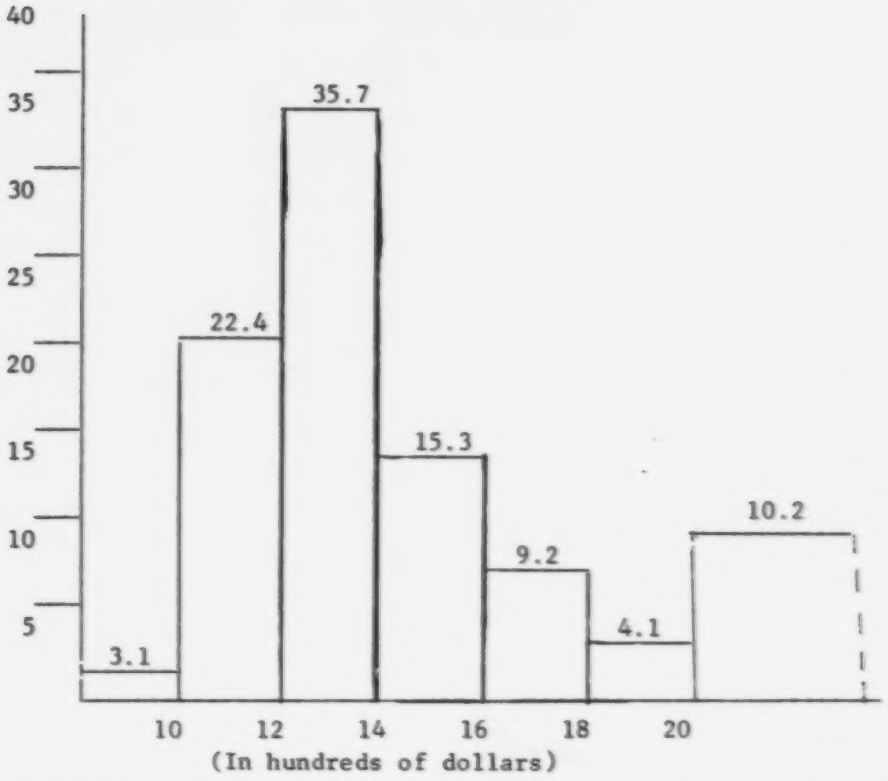
Table 12
Distribution of Per Pupil Expenditures
Sample of 98 Texas School Districts

Per Pupil Expenditures	Number of Districts	Percentage of Districts	Number of ADA	% of ADA
Under $1,000	3	3.1	1,815	0.2
1,001 - 1,200	22	22.4	72,219	9.1
1,201 - 1,400	35	35.7	179,786	22.6
1,401 - 1,600	15	15.3	295,214	37.2
1,601 - 1,800	9	9.2	234,927	29.6
1,801 - 2,000	4	4.1	1,518	0.2
Above $2,000	10	10.2	9,123	1.1
TOTAL	98	100.0	794,602	100.0

Figure 3
Distribution of Per Pupil Expenditures
Sample of 98 Texas School Districts



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Disparities in District Wealth

In the previous section, we examined the disparities among school districts in per pupil expenditures. We know from the Texas school finance plan that some of the disparity is due to the differing guaranteed levels of Foundation Program support among districts. However, the greater part of the disparity is due to Local Enrichment, which is only partly equalized by State Equalization Aid. In this section, we will examine the disparities among districts in property wealth, or ability to raise local educational revenues, particularly Local Enrichment.

Table 13 shows for our small sample, the average market value of property per pupil, as defined by the Government Office for Educational Resources. The average market value (used in determining State Equalization Aid), is the sum of a district's full market value plus agricultural use value (used in determining Local Fund Assignment) divided by two. The districts are arranged in order from the wealthiest district, on a per pupil basis, to the poorest district.

The wealthiest district in our sample is Westbrook with an average market value per ADA of $554,871. The poorest district is Del Valle with an average market value per ADA of $28,843. The range for this small sample is $526,028. The range ratio tells us that Westbrook has a tax base which is 19 times the tax base of Del Valle. The summary data for our sample follows:

Wealthiest District:	$554,871
Poorest District:	28,843
Range:	526,028
Range Ratio:	19.2:1
Simple Mean:	$119,605
Weighted Mean:	67,678
Median:	74,581

As is expected from a large range ratio, the simple mean is considerably higher than the other measures of central tendency. This simple mean indicates that at the upper extreme, there are many high wealth districts relative to the size of the sample. In looking at this sample, it is interesting to keep in mind that for the purpose of allocating State Equalization Aid, the statewide average market value per ADA has been set at $83,000.

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Table 13
Property Value Per ADA 1977-78
Sample of 20 Texas School Districts

District	Total Average Market Value of Property	Refined ADA	Average Market Value Per ADA
Westbrook	$ 90,943,481	163	$ 554,871
Cross Roads	43,902,682	182	241,104
Booker	67,491,940	300	224,397
Leveretts Chapel	51,703,550	241	214,013
Clarendon	87,661,935	548	159,853
Stanton	95,938,445	826	116,051
Stinnett	44,496,627	518	85,892
Hughes Spring	74,611,038	935	79,724
Mt. Enterprise	23,724,803	301	78,642
Atlanta	169,861,010	2,231	76,125
Fort Worth	4,632,043,138	63,418	73,038
Midland	993,674,639	14,187	70,038
Itasca	35,057,740	504	69,458
Waskom	41,471,274	678	61,093
Lubbock Cooper	66,562,540	1,128	58,997
Corpus Christi	1,968,993,916	36,117	54,516
Shallowater	34,875,512	691	50,465
Callalen	118,454,900	2,350	50,402
Boyd	30,051,839	674	44,580
Del Valle	107,457,856	3,725	28,843
TOTAL	8,778,978,865	129,717	2,392,102

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For the larger sample of 98 school districts, Table 14 and Figure 4 show the distribution of property wealth per ADA. The summary data follows:

Wealthiest District:	$1,578,552
Poorest District:	12,238
Range:	1,566,314
Range Ratio:	129:1
Simple Mean:	$ 143,157
Weighted Mean:	87,803
Median:	80,035

Again, because this sample is much larger than the previous sample of 20 districts, the range is much higher, indicating a wider dispersion of property values. The simple mean value indicates that there are a signficant number of extremely wealthy districts in our sample. Note that the weighted mean and median are very close in values. They are also very close to the GOER statewide average market value per ADA of $83,000. If we consider the weighted mean of our sample at $87,803, then 17 percent of all districts in our sample (Figure 4) fall within the median range. Approximately 42 percent of the districts lie below the median range and 38 percent lie above.

Table 14
Distribution of Average Market Property Value Per ADA
Sample of 98 Texas School Districts

Average Market Value Per ADA	Number of Districts	Percent of Districts
Under $25,000	3	3.1
25,001 - 50,000	11	11.2
50,001 - 75,000	28	28.6
75,001 - 100,000	17	17.3
100,001 - 125,000	14	14.3
125,001 - 150,000	5	5.1
150,001 - 175,000	3	3.1
175,001 - 200,000	2	2.0
Above $200,000	15	15.3
TOTAL	98	100.0

Prepared by: AFT Research Department with data from Texas Education Agency, Division of Information Analysis; Austin, Texas; April 1979

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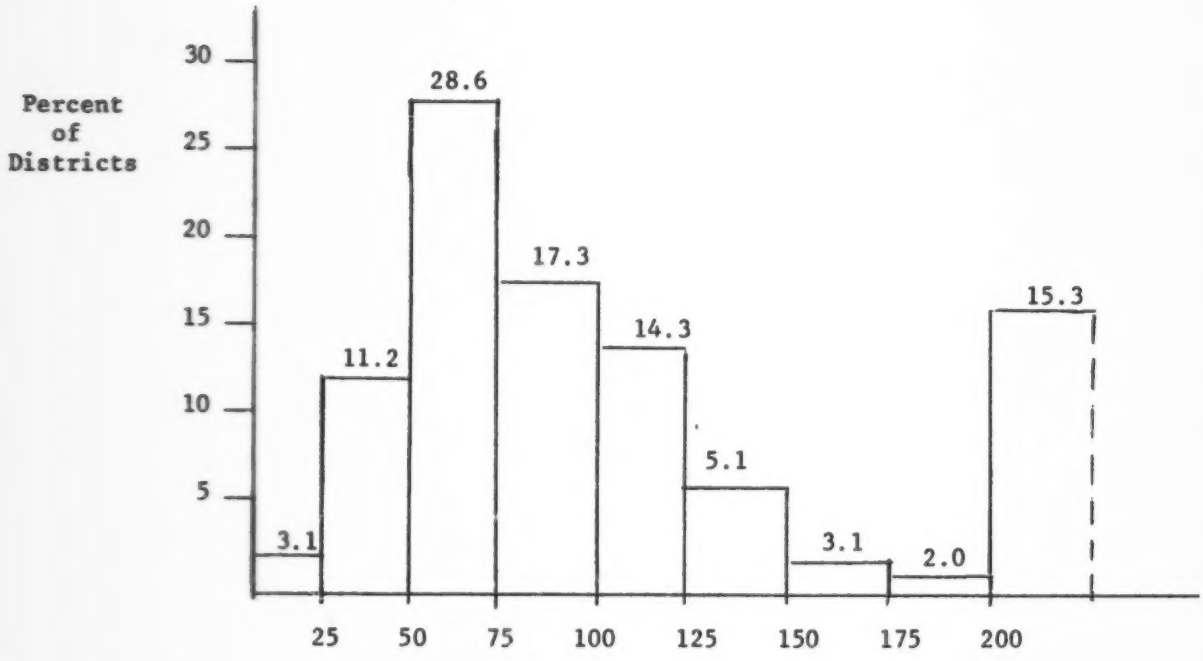
Figure 4

Distribution of Average Market Property Value Per ADA
Sample of 98 Texas School Districts



Prepared By: AFT Research Department with data from the Texas Education Agency, Divison of Information Analysis; Austin, Texas; April 1979.

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Another way to look at the disparity in district property wealth per ADA is to rank the districts by deciles in order of size. Deciles divide a distribution into 10 subdivisions, with each subdivision having an approximately equal number of districts. Within our sample, the uneven groupings have been placed at the extremes.

Table 15
Average Market Value Per ADA by Deciles

Decile	Maximum Value	Minimum Value	Mean Value
10	1,578,552	241,738	687,586
9	241,104	159,853	206,630
8	156,129	116,787	130,559
7	116,051	101,157	107,665
6	99,140	80,069	89,610
5	80,001	73,038	77,233
4	70,652	61,093	66,414
3	60,070	54,263	56,487
2	53,490	35,105	47,165
1	32,924	12,238	23,505

Prepared by: AFT Research Department with data from the Texas Education Agency, Division of Information Analysis, Austin, Texas; April 1979

Again, this table shows a wide disparity among districts in property value per ADA. If we eliminate the extreme values and consider only the values at the 90th percentile ($241,104) and the 10th percentile ($32,924), we find the range to be considerably smaller. Our new range is 7.32:1 as compared to 129:1, the range for the extreme values. The weighted mean for the total distribution ($87,803) falls within the sixth decile.

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Disparities in Tax Effort

This section will examine the disparities in tax effort for raising Local Enrichment. Table 16 shows the effective Local Enrichment Tax Rates[10] for our small sample of 20 Texas school districts. The districts are arranged in order from the district with the highest tax rate to the district with the lowest tax rate. The highest district in our sample, Stinnett, levies an effective tax rate of 8.90 mills (8.9¢ per $100) for Local Enrichment while the lowest district, Atlanta, levies at 1.04 mills (1.04¢ per $100). In this sample, the simple mean is 4.73 mills and the median is 5.20 mills. The mean local enrichment per ADA is $506.

Table 16
Local Enrichment, 1977-78
(Sample of 20 Districts)

District	Effective Local Enrichment Tax Rate Mills	*Local Enrichment Per ADA
Stinnett	8.90	790
Midland	8.01	573
Leveretts Chapel	7.26	1,707
Callalen	6.80	342
Corpus Christi	6.40	355
Stanton	6.04	703
Shallowater	5.75	264
Waskom	5.45	336
Cross Roads	5.35	1,299
Boyd	5.29	234
Booker	5.11	1,169
Ft. Worth	4.85	360
Lubbock Cooper	3.77	202
Del Valle	3.51	103
Mt. Enterprise	3.34	252
Hughes Spring	2.55	196
Itasca	2.36	163
Clarendon	1.53	256
Westbrook	1.39	727
Atlanta	1.04	81
TOTAL	94.70	10,112

Prepared by: AFT Research Department with data from Texas Education Agency, Division of Information Analysis, Austin, Texas; April 1979.

[10] See Appendix C for calculation of Effective Local Enrichment Tax Rate.

* See Appendix D for calculation of Local Enrichment Per ADA.

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For the larger sample of 98 districts, Table 17 shows the distribution.

Table 17
Distribution of Local Enrichment Tax Rates
Sample of 98 Texas School Districts

Effective Local Enrichment Tax Rate (mills)	Number of Districts	Percent of Districts
Under 1.00	3	3.1
1.00 - 2.00	17	17.3
2.01 - 3.00	17	17.3
3.01 - 4.00	23	23.5
4.01 - 5.00	9	9.2
5.01 - 6.00	12	12.2
6.01 - 7.00	6	6.1
Above 7.00	11	11.2
TOTAL	98	100.0

Prepared by: AFT Research Department with data from the Texas Education Agency.

The summary for this data follows:

Highest tax rate (mills):	10.75
Lowest tax rate:	0.62
Range:	10.13
Range Ratio:	17.3:1
Mean:	3.93
Median	3.54

Table 17 and the summary data show that there is a broad distribution of tax rates for raising local enrichment. The largest interval, 23.5 percent of the districts, lies around the mean and median values in the range of 3.01 to 4.00 mills. There is an almost even percentage of districts taxing above (39%) and below (37%) this range.

For our sample of 98 school districts these tax rates yeild a distribution of local enrichment per ADA which ranges from a high value of $1.749 per ADA.

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(Wink-Loving) to a low value of $19 per ADA (Southwest). The mean local enrichment per ADA is $433.

Comparing Wealth with Educational Services

The preceding sections examined the disparities among school districts in educational expenditures per pupil, property wealth per pupil, effective local enrichment tax rates, and local enrichment per pupil. This section will compare those disparities to discern if there are any relationships suggested between district wealth or ability to raise revenues, and the level of educational services provided, as measured by per pupil expenditures.

Table 18 shows the distributions of district wealth versus educational expenditures for our small sample of 20 districts. In looking at this table, it is difficult to determine if any definite patterns are emerging from the data. To help summarize the data so that it may be more easily analyzed, we have drawn upon a technique introduced earlier in the section on Disparities in District Wealth. The data in table 18 has been grouped by quintiles, each quintile containing 4 values. Quintiles were chosen because of the smallness of the sample. For each of the categories within a quintile, the mean value has been computed.

Table 19 shows the Summary of District Wealth versus Educational Expenditures for our small sample grouped by quintiles. Some definite patterns do emerge from this table. Across the 20 districts, per pupil expenditures increase directly as district property wealth increases. The mean per pupil expenditure in the highest quintile represents almost twice the expenditure per pupil of the mean in the lowest quintile.

Mean effective local enrichment tax rates do not vary as directly with property wealth as might be expected. The general expectation is that poorer districts tax themselves at a relatively higher rate than wealthier districts in order to raise a reasonable level of revenues. In looking for this trend, it must be kept in mind that there is a limit as to how high a property poor district can actually tax itself which is related to family income. The tendency for poorer districts to tax themselves at relatively higher rates can be seen in the first, second, and third quintiles. The high tax rates in the fourth and fifth quintiles indicate the willingness of these wealthier districts to offer a substantially high level of educational services.

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Table 18
District Wealth vs. Educational Expenditure
(Sample of 20 Texas School Districts)

District	Average Market Value Per ADA	Per Pupil Expenditures	Effective Local Enrichment Tax Rates (Mills)	Local Enrichment Per ADA
Westbrook	$ 554,871	$ 2,214	1.39	$ 727
Cross Roads	241,104	1,320	5.35	1,299
Booker	224,397	1,963	5.11	1,169
Leveretts Chapel	214,013	2,830	7.26	1,707
Clarendon	159,853	1,300	1.53	256
Stanton	116,051	1,638	6.04	703
Stinnett	85,892	1,691	8.90	790
Hughes Spring	79,724	1,075	2.55	196
Mt. Enterprise	78,642	1,404	3.34	252
Atlanta	76,125	1,235	1.04	81
Fort Worth	73,038	1,462	4.85	360
Midland	70,038	1,529	8.01	573
Itasca	69,458	1,205	2.36	163
Waskom	61,093	1,213	5.45	336
Lubbock Cooper	58,997	1,102	3.77	202
Corpus Christi	54,516	1,391	6.40	355
Shallowater	50,465	1,059	5.75	264
Callalen	50,402	1,258	6.80	342
Boyd	44,580	949	5.29	234
Del Valle	28,843	1,150	3.51	103
TOTAL	$2,392,102	$28,988	94.70	$10,112

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Table 19
Summary of District Wealth vs. Educational Expenditures
(Sample of 20 Texas School Districts)

Quintile	Mean Average Market Value Per ADA	Mean Per Pupil Expenditures	Mean Effective Local Enrichment Tax Rate (Mills)	Mean Local Enrichment Per ADA
5	$308,596	$2,081	4.78	$1,225
4	110,380	1,426	4.76	486
3	74,460	1,407	4.31	316
2	61,016	1,227	4.50	264
1	43,572	1,104	5.34	235

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The last column, mean local enrichment per ADA, indicates that while poorer districts are willing to tax themselves at relatively high rates, they are still unable to raise a level of local enrichment comparable to the wealthier districts, even when the tax rate is higher (quintile 1 vs. quintile 3). It is also interesting to note that expenditures per pupil increase directly as local enrichment per ADA increases.

Table 20 shows a similar comparison of district wealth versus educational expenditures for our larger sample of 98 school districts. In this table, the data has been grouped by deciles (10 groups). The two extreme deciles represent only 9 values while the other deciles represent 10 values each.

In this table, we see the same basic patterns emerging. Across the 98 districts, mean per pupil expenditures increase directly as property wealth increases. The mean per pupil expenditure in the highest decile is twice the value of the mean per pupil expenditure in the lowest decile.

Again, there is no pronounced relationship between local enrichment tax rates and property wealth. We do see the poorer districts taxing themselves at rates higher than the wealthier districts. The highest tax rates fall within the middle deciles indicating that these districts are willing to offer a high level of educational services and that they recognize it requires a higher than average tax effort.

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Table 20
Summary of District Wealth vs. Educational Expenditures
Sample of 98 Texas School Districts

Decile	Mean Average Market Value Per ADA	Mean Per Pupil Expenditures	Mean Effective Local Enrichment Tax Rate (Mills)	Mean Local Enrichment Per ADA
10	$687,586	$2,352	2.19	$1,236
9	206,630	1,714	3.34	742
8	130,559	1,478	2.90	386
7	107,665	1,416	5.18	632
6	89,610	1,432	5.34	480
5	77,233	1,269	3.37	258
4	66,414	1,221	3.80	253
3	56,487	1,225	3.51	227
2	47,165	1,293	5.10	239
1	23,505	1,059	3.22	98

Table 21
Data on Selected School Districts

District	Average Market Value Per ADA	Per Pupil Expenditures	Effective Local Enrichment Tax Rate (Mills)	Local Enrichment Per ADA
Rochester	$127,755	$1,584	4.64	$ 604
West Orange Cove	108,985	2,101	10.74	1,226
Dallas	103,919	1,788	7.07	749
Houston	98,805	1,461	5.66	566
Port Arthur	86,331	1,724	9.60	857
Austin	80,069	1,648	7.96	630
Fort Worth	73,038	1,462	4.85	360
Texarkana	65,632	1,431	4.51	310
North East	64,985	1,272	6.88	438
Little Cypress-Mauriceville	61,577	1,623	9.28	550
Corpus Christi	54,516	1,391	6.40	355
El Paso	54,263	1,252	4.34	237
Humble	52,691	1,316	11.00	485
Northside	43,895	1,253	7.74	330
San Antonio	42,199	1,602	5.98	257
Ysleta	29,288	1,045	0.21	4
Brownsville	29,039	1,206	5.77	164
Laredo	21,124	1,123	1.84	39
Edgewood	12,238	1,171	3.43	42

Prepared by: AFT Research Department using data from Texas Education Agency, Division of Information Analysis; Austin, Texas; April 1979.

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The mean local enrichment per ADA values substantiate our statement above, that relatively poorer districts levying relatively higher tax rates are still unable to raise the level of local revenues which wealthier districts raise with less tax effort. Finally, mean per pupil expenditures are increasing as mean local enrichment per ADA is increasing.

A cautionary note, in looking at all the tables in this last section, we do not see large variances between deciles or between quintiles. Furthermore, while our sample of 98 districts is representative of the state, it is still relatively small compared to the 1,107 districts in the state. For these reasons, it would be difficult to say conclusively that in Texas, the level of educational services or per pupil expenditures is dependent upon property wealth. However, our data show some interesting patterns which suggest that such a relationship might exist.

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Appendix A

ADJUSTMENTS TO PERSONNEL UNITS

Sparse School District

1) For a school district with more than 300 square miles but not more than 1000 students in ADA, its adjusted personnel units are:

$$APU = [1 + (1000 - ADA) \times (.000455)] \times PU$$

To illustrate, for a school district with more than 300 square miles, with 700 students in ADA, and a regular PU allotment of 36 (based on 700 ADA), it would increase its total PU allotment to the APU value of 41.

$$APU = [1 + (1000 - 700) \times (.000455)] \times 36$$
$$= 1.1365 \times 36$$
$$= 40.9$$

Note that all fractional PU values equal to or greater than .5 are rounded up to the next whole value.

Small Size District

2) For a school district with 300 square miles or less, but not more than 1000 students in ADA, its adjusted personnel units are:

$$APU = [1 + (1000 - ADA) \times (.0003)] \times PU$$

Considering the school district above with less than 300 square miles, it would increase its total PU allotment from 36 to 39.2.

$$APU = [1 + (1000 - 700) \times (.0003)] \times 36$$
$$= 1.09 \times 36$$
$$= 39.2$$

Note that all fractional PU values less than .5 are rounded down to the next whole value.

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Appendix B

ALLOCATION OF SPECIAL EDUCATION PERSONNEL UNITS

Each school district is permitted a maximum entitlement of 30 special education PU's for the first 3000 ADA, and 4.25 PU's for each additional 500 ADA provided at least 12% of the ADA are handicapped and being served. If less than 12% of the ADA are handicapped and being served, then PU's are allotted on a prorated basis as follows:

Percent Handicapped[1]	Percent of PU Allocation[2]
12	100
11	94
10	88
9	82
8	76
7	70
6	63
0-5	56

[1] Percent handicapped = $\frac{\text{Total ADA Handicapped}}{\text{Total Refined ADA}} \times 100$

[2] Determine total PU allocation as described for a district with 12% handicapped ADA and then take the percentage of that total figure, allotted as per the actual % of students handicapped.

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Appendix C

EFFECTIVE LOCAL ENRICHMENT TAX RATE

At the time of our request for information, the Texas Education Agency was unable to supply data on Local Enrichment Tax Rates by school districts. However, based on the data that was supplied, it was possible to calculate an Effective Local Enrichment Tax Rate. This effective tax rate is not the actual tax rate levied by a district. However, the effective rate is valid and useful for the purpose of comparing enrichment effort between school districts.

The Effective Local Enrichment Tax Rate for each district was calculated as follows:

(1) Maintenance and Operation (M & O) Effective Tax Rate =

$$\frac{\text{M \& O Actual Levy} \times 1000}{\text{GOER Average Market Value of Property}}$$

(Tax rate expressed as mills)

(2) Local Fund Assignment (LFA) Effective Tax Rate =

$$\frac{\text{Net LFA} \times 1000}{\text{GOER Average Market Value of Property}}$$

(Tax rate expressed in mills)

(3) Effective Local Enrichment Tax Rate =

M & O Effective Tax Rate - LFA Effective Tax Rate

(Tax rate expressed in mills)

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Appendix D
LOCAL ENRICHMENT PER ADA

At the time of our request for information, the Texas Education Agency was unable to supply data on Local Enrichment per ADA per school district. However, based on the data that was supplied, it was possible to calculate Local Enrichment per ADA for each district. The calculations follow:

(1) Actual Local Enrichment =

Actual Maintenance + Operation Tax Levy - Net Local Fund Assignment

(2) $$\text{Local Enrichment per ADA} = \frac{\text{Actual Local Enrichment}}{\text{Gross ADA*}}$$

*The Gross ADA figure for each district was taken from the computer printout: TEA 1977-78 Amended Budget, the source for district per pupil expenditures.

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Appendix E

Federal Aid to Education in Texas

Compensatory education programs exist largely as a result of federal financial assistance to local school districts. Compensatory education programs seek to equalize educational opportunity for children, especially those who are disadvantaged, by serving the unmet needs of this special population. The impact of these equalizing funds on local districts' budgets has increased in recent years to where nationally, it now represents an average 8.1 percent of all revenues received by school districts. As a percent of total district revenue compensatory education aid ranges from a high of 22.5 percent in Mississippi to a low of 4 percent in New York. In 1977-78, Texas received $484 million in federal aid, representing some 10.1 percent of its total school revenues, expenditures a per pupil average of $137. Only California exceeded Texas in total dollars received.

Most federal funds go to meet specific needs of economically or otherwise disadvantaged students. However, one category of federal aid, Impact Aid, provides general assistance to districts where federal activities adversely affect the district. For example, the presence of large numbers of federal employees or military personnel, or the presence of substantial areas of federally owned tax exempt lands in a school district will lead to increased district expenditures for educating the children of the federally supported families while concurrently reducing the amount of local property available for taxation to pay for education expenditures. Impact aid is provided by the federal government to meet some of the increased costs to the district or to replace lost district revenues.

The continuing need for the relief offered by Impact Aid will remain with us. Government employment has grown numerically although the ratio of government employees to the population has declined. In 1950, there were 13.9 government workers per thousand population, totalling 1.9 million employees. By 1977, the ratio of government workers had dropped to 13.1 per thousand population, while numbers of employees had grown to nearly 3.0 million in the civilian government work force with an additional 2.7 million uniformed service personnel. The federal government owns 33.7 percent of all land

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nationwide and 1.9 percent of all land in Texas. Since 1953, the 742 million acres of federal land throughout the U.S. has tripled in value yielding $101 billion dollars in federal tax exempt property according to General Services Administration reports.

Listed below are the 1980 federal funds projected for Texas public education, by aid program:

Major Federal Programs

	Amount	% of Major Programs
Elementary and Secondary Education Act		
TITLE I		
Educationally deprived	$221,218,362	52.0
Concentration	17,032,994	4.0
TITLE IV - (Improvement)	11,151,765	2.6
Impact Aid	37,994,000	9.9
Emergency School Aid Assistance		
Local Education Agency	13,761,760	3.0
Non-profit organizations	1,720,220	0.4
Pilot programs	3,225,413	0.7
Library	9,508,347	2.0
Guidance, Counseling and Testing	1,013,930	0.2
Occupational, Vocational, and Adult Ed.	45,738,939	10.7
EDUCATION FOR THE HANDICAPPED		
State Grant	59,462,035	14.0
Incentive Portion	1,840,036	0.4
Major Federal Programs Total	$423,667,801	100,0

Non-Discretionary Funds (Specified Use)

7
Elementary and Secondary Education Act

TITLE I Educationally Deprived Children $221,218,362

Provides funds to states to assist economically and educationally deprived students with programs to improve basic skills areas.

Concentration Grant 17,032,994

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Beginning in 1980, this additional funding will focus Title I resources to the neediest counties and their local education agencies.

TITLE IV Improvement in Local Education Practice $ 11,151,765

Provides funds to develop improved programs and practices in a wide variety of areas. This section was formerly known as the innovative activities area.

Education for the Handicapped

State Grant Program $ 59,462,035

The purpose of this program is to provide funds for districts to extend to handicapped children the same rights to educational services that are extended to non-handicapped children. Authorization for this program accompanied the passage of Public Law 94-142 in 1975. The current allocation is aimed at reaching a goal of providing 12 percent of the additional cost of educating these students.

Preschool Incentive Grants $ 1,840,036

This section, Part B of PL 94-142 provides for expansion of services to preschool children if a state is presently providing services to children in this age group. It exists as an incentive for states to participate in the education of 3-5 year old children where no state mandate or current practice exists. PL 94-142 covers education for handicapped children from ages 3-21 years, but at the time of enactment services for children ages 3-5 were not available in some states. These federal funds should assist states in meeting the goal of a free appropriate education where a desire exists but planning funds are limited.

Emergency School Aid Act $ 13,761,760

This program assists districts which are desegregating or in the process of moving toward desegregation to meet some of the accompanying costs of planning and implementing a desegregation plan.

Library Services and Construction Act

School Libraries $ 9,508,347

Guidance and Counseling $ 1,013,930

Portions of this act will now concentrate on activities in public school libraries and on expanded guidance and counseling services in elementary and secondary schools.

Occupational, Vocational, and Adult Education $ 45,738,939

The program provides funding for skills' training for persons who are unprepared to assume gainful employment initially or who are involved in skills acquisition to pursue additional employment opportunities.

Discretionary Funds (General Use)

School Assistance in Federally Affected Areas $ 37,994,000

Impact aid is designed to assist and compensate districts in areas where enrollment and availability of revenue from local sources have been adversely affected by federal activities. The funds now available may be used for current operating expenses and for construction assistance. A major reduction is proposed this year in the portion of the law which provides funds to districts for children whose parents work on federal property. Efforts are being made to stop the loss of $320,000,000 nationally in this area, category 3 (b) children. The effect of this proposal for Texas is the net loss of $27,644,854 according to summaries published by the American Federation of Teachers Legislative Department.

SOURCE: U.S. Department of Health, Education and Welfare; Office of Education, Justification of Appropriation Estimates for Committee on Appropriations Fiscal Year 1980.

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Appendix F

SENATE BILL 350: RECENT CHANGES IN THE TEXAS STATE AID PLAN

Since the final edit of this manual, Senate Bill #350 (SB 350) passed the Texas legislature amending the state's school finance plan. The basic formulas for allocating state aid have essentially remained unchanged, however, specific dollar amounts within the formulas have increased to provide more state aid to school districts. This appendix describes the most important changes in the school finance plan as legislated by SB 350.

Salaries

The index values assigned to the educational personnel salary schedule are revised with a 5.1 percent increase in base salary levels. The index factor of 1.00 is increased from $949 in the 1978-79 academic year to $997 for 1979-80 and $1,048 for 1980-81. Additionally, a step 14 has been added within the schedule of compensation and a 2 percent increase in salaries is provided for personnel in steps 10 and above who do not advance a step.

Minimum Staffing Guarantee

Districts with 1,000 or fewer students are guaranteed a minimum number of personnel units as follows:

- K-6 districts with at least 40 ADA or 30 miles or more from the nearest high school district are guaranteed 4.2 PUs.
- K-8 districts with at least 50 ADA or 30 miles or more from the nearest high school district are guaranteed 7.2 PUs.
- K-12 districts with at least 90 ADA or 30 miles or more from the nearest high school district are guaranteed 12 PUs.

Also, 0.6 personnel units are allocated to school districts with 1,000 or fewer students in ADA to be used cooperatively to meet accreditation standards. This section replaces a section in the existing education code (not discussed in this manual) which gives the Commissioner of Education the authority to allocate 200 discretionary units.

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Maintenance and Operations Allotment

The maintenance and operations allotment is increased from $115 per ADA in 1978-79 to $128 per ADA in 1979-80 and $139 per ADA in 1980-81. These are increases of 11.3 and 8.6 percent respectively.

Transportation

A linear density formula for distribution of regular transportation funds was adopted including additional funds to extend bus routes where necessary to avoid hazardous conditions. The special education transportation is also increased. A transportation save-harmless is established for 1979-80 and 1980-81.

Compensatory Education

State aid for educationally disadvantaged pupils is increased from $40 to $44 per Title I eligible student for districts receiving aid under the National School Lunch Program, not to exceed a statewide limit of $42,900,000 per year.

Gifted and Talented

State aid is provided to school districts offering programs for gifted and talented students. First authorized for school year 1979-80, statewide aid is not to exceed $2 million the first year and $3 million in 1980-81.

Support for Fast Growing School Districts

Districts with a six percent or greater growth in ADA and an effective tax rate above the statewide average shall receive additional state aid based on the following formula:

$$\text{Aid} = \frac{(\text{Growth Rate} - 1)}{0.06} \times \text{ADA} \times \$30$$

Total statewide aid is not to exceed $2,500,000 per year.

Local Fund Assignment

The tax rates prescribed by the state for determining a school district Local Fund Assignment are reduced under SB 350 thereby decreasing the local district's required contribution to the cost of public education and increasing the state's share of the cost by $260 million in the 1980-81 biennium. In 1978-79

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a district's Local Fund Assignment was the smallest contribution resulting from either a tax of 18¢ per $100 of full market value or 20.5¢ per $100 of agricultural use or index value. Total LFA could not exceed 125 percent of the previous year's LFA. For 1979-80, the tax rates were reduced to 15¢ on full market value and 17.5¢ on index value, whichever is less. For 1980-81, the Local Fund Assignment is determined by levying a tax of 16¢ per $100 of index value. No district's LFA can exceed 120 percent of its prior year LFA.

Equalization Aid

State equalization aid to school districts is increased by increasing the dollar amounts in the formula from $185 in 1978-79 to $275 in 1979-80 and $290 in 1980-81. Statewide limits on the program establish that total aid cannot exceed $202 million in 1979-80 and $215 million in 1980-81.

Minimum Aid

A save-harmless provision in the new legislation provides that no district shall receive less state aid in 1979-80 or thereafter than it received in 1978-79.

Tax Relief Amendment

In its deliberations on SB 350, the Texas legislature had to consider the impact of the Tax Relief Amendment on school district revenues. The Amendment, adopted by a vote of the electorate in November 1978, provided a homestead exemption of $5,000 for school tax purposes and authorized the legislature to act on several other specified property tax exemptions and valuations, such as family automobiles, intangibles, personal property, household goods and other non-income producing personal effects.

The 66th Legislature supplemented the $5,000 homestead exemption with an additional $10,000 exemption on homesteads owned by persons over age 65 and disabled persons. It also established guidelines for productivity valuation of agricultural and timber land. The loss of revenue to school districts from the homestead exemptions and the agricultural valuation based on productivity was offset by the passage of HB 1060 which appropriated $220 million for direct reimbursement of local tax losses. In determining the amount of direct reimbursement to districts under HB 1060, the increases in state aid to districts due to reduced LFA's and increased operating allowances are considered as part of the offsetting allotment.

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Appendix G

ANSWERS TO EXERCISES

Exercises on Personnel Units

1. District A

Grades K-3 ADA:	630 divided by 18.5 equals	34	P.U.
Grades 4-6 ADA:	882 divided by 21 equals	42	P.U.
Grades 7-9 ADA:	700 divided by 20 equals	35	P.U.
Grades 10-12 ADA:	756 divided by 18 equals	42	P.U.
TOTAL P.U.'s		149	P.U.

District B

925 divided by 18.5 equals 50 P.U.

1260	21	60
1300	20	65
1440	18	80
TOTAL P.U.'s		255

District C

2826 divided by 18.5 equals		152.8
3545	21	168.8
3400	20	170
3240	18	180
TOTAL P.U.'s		671.6

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2. District A

	PU Value	Total PU
2 Educational Aides II	.60	1.20
1 Educational Aide III	.75	.75
20 Bachelor's Degree Teachers	1.00	20.00
10 Master's Degree Teachers	1.00	10.00
1 Vocational Education Teacher	1.00	1.00
5 Special Education Teachers	1.00	5.00
1 Librarian	1.00	1.00
2 Counselors	1.20	2.40
1 Assistant Principals	1.25	1.25
1 Principal - 20-40 Teachers	1.40	1.40
1 Superintendent - 401-3000 ADA	1.75	1.75
TOTAL Required PU Allotment		45.75

District B

Total Required PU Allotment 65.3

Exercises on Foundation School Budget

1. District A

Personnel Expenses

	Pay Grade Rank	Starting Salary Index	Total Index Value (#Personnel X Salary Index)
2 Educational Aides II	2	.53	1.06
1 Educational Aids III	3	.63	.63
20 Bachelor's Degree Teachers	7	.90	18.00
10 Master's Degree Teachers	8	.96	9.60
1 Librarian	7	.90	.90
5 Special Education Teachers	7	.90	4.50
2 Counselors	10	.99	1.98
1 Assistant Principal	11	1.05	1.05
1 Principal - 20-40 Teachers	13	1.16	1.16
1 Superintendent - 401-3000 ADA	15	1.40	1.40

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Total Index Value 40.28

Total Foundation Salary	=	Salary PU Value	X	$949	X	10 months	
	=	40.28	X	949	X	10	
	=						$382,257.20

Maintenance and Operation		
Regular: ($115 X 1500)	$172,500	
Special Ed: ($500 X 50)	25,000	
		$197,500.00
Transportation		
20 buses X $5492	$190,840	
(50 exceptional students X $292)	14,600	
		$124,440.00
Compensatory Education		
($40 X 180)		$ 7,200.00
Driver Education		
($25 X 130)		$ 3,250.00
Bilingual Education		
($25 X 225)		$ 5,625.00
District A Total Budget		$720,272.20

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Exercises on Local Fund Assignment

1. District A

LFA_1 based on Full Market Value = .0018 X $35,820,073 = $64,476

LFA_2 based on Agricultural Use = .00205 X $31,219,587 = $64,000

125% last Year's LFA_3 = 1.25 X $60,000 = $75,000

Actual LFA = $64,000 (Based on Agricultural Use Value)

District B

LFA_1 = .0018 X $87,376,069 = $157,277

LFA_2 = .00205 X $76,764,100 = $157,366

LFA_3 = 1.25 X $155,133 = $193,916

Actual LFA = $157,277

2. District C

LFA_1 = .0018 X $92,175,200 = $165,915

LFA_2 = .00205 X $81,954,000 = $168,006

LFA_3 = 1.25 X $132,000 = $165,000

Actual LFA = $165,000

*LFA can't exceed 125% of last year's LFA

District D

LFA_1 = .0018 X $2,000,000,000 = $3,600,000

LFA_2 = .00205 X $1,000,000,000 = $2,050,000

LFA_3 = 1.25 X $2,000,000 = $2,500,000

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Exercises on Available School Fund

1. District A: ASF = 1500 ADA X $240/ADA
   = $360,000

   District B: ASF = 2500 ADA X $240/ADA
   = $600,000

2. District C: $720,000
   District D: $1,800,000
   District E: $990,000
   District F: $3,765,600

Exercises on Foundation School Funds

1. District A
   FSF = (Fdn Budget - LFA) - ASF
   = $720,272 - $64,000 - $360,000
   = $656,272 - $360,000
   = $296,272

2. District B: NA

3. District C
   FSF = ($12,480,000 - $4,200,000) - $2,880,000
   = $8,280,000 - $2,880,000
   = $5,400,000

   FSF = ($12,480,000 - $5,040,000) - $2,880,000
   = $7,440,000 - $2,880,000
   = $4,560,000

4. District D
   ASF = 2,000 ADA X $240/ADA
   = $480,000

   FSF = (Foundation Budget - LFA) - ASF
   = ($2,585,000 - $2,300,000) - $480,000
   = $285,000 - $480,000
   = (-) $195,000

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District receives no Foundation School Funds. It does, however, receive its full entitlement to Available School Funds.

Exercises on Local Enrichment

1. District A: Maximum local Revenue = .015 X $35,820,073
= $537,301

District B: = .015 X $87,376,069
= $1,310,641

District C: = $1,382,628

District D: = $30,000,000

2. District A:
LE = Maximum Local Enrichment - LFA
= $537,301 - $64,000
= $473,301

District B:
LE = $1,310,641 - $193,916
= $1,116,725

District C: = $1,217,628

District D: = $27,500,000

*U.S. GOVERNMENT PRINTING OFFICE: 1981-0-730-203/2223

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